

GOVERNMENT OF INDIA
MINISTRY OF FOOD AND AGRICULTURE

REPORT
OF THE
SUGAR ENQUIRY COMMITTEE
ON THE
SUGAR CRISIS OF JULY-AUGUST, 1949
AND
GOVERNMENT OF INDIA'S RESOLUTION THEREON.

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REPORT
OF THE
SUGAR ENQUIRY COMMITTEE
1950
(Without Appendices)



GOVERNMENT OF INDIA
MINISTRY OF FOOD & AGRICULTURE
(AGRICULTURE)

New Delhi, the 14 th July 1951.

RESOLUTION

No. SV-101(4-18)/50

The report of the Sugar Enquiry Committee appointed by the Government of India under their Resolution No. SV-101 (4-15)/50, dated the 12th June, 1950 to enquire into such aspects of the sugar crisis of 1949 as were not fully covered by the Tariff Board, is hereby released for general information. The findings of the Committee on the specific items referred to it for enquiry together with Government of India's comments thereon are stated below :—

(1) *Excessive supply of wagons.*—In February 1949 the Indian Sugar Syndicate complained to the U. P. and Central Governments regarding the supply of wagons for movement of sugar. The Hon'ble Chief Minister, U. P. also addressed the Hon'ble Minister for Food and Agriculture, emphasising the need for increased transport facilities for sugar. The Ministry of Agriculture moved the Ministry of Transport to step up wagon supply, and the latter Ministry convened in this connection a meeting at Gorakhpur on the 19th March, 1949, which was attended by the representatives of the U. P. Government and the Indian Sugar Syndicate. A plan for the supply of wagons to sugar factories on the basis of the statistics supplied by the Sugar Syndicate was prepared at this meeting and it was finalised at another meeting held on the 14th April, 1949. The plan provided for a normal carry-over of one lakh tons of sugar at the end of the sugar year. Although adequate provision was made in the plan for supply of wagons, the Syndicate indented for a much larger number than planned for, and the number of wagons supplied during the period from 15th March, 1949 to 31st August, 1949 was 32 per cent in excess of the plan. This resulted, according to the Committee, in the despatch from the factories of an extra quantity of sugar amounting to 1,30,001 tons. The Committee has further stated that another reason for excessive despatches of sugar was that in the plan drawn up the capacity of each wagon was taken as ten tons, regardless of the fact that on the EIR and EPR it is 20 tons which has resulted in double the number of wagons being provided on these Railways against what should have been provided.

The Committee has also stated that basic release quotas for individual mills were to be fixed by the Syndicate subject to the approval of the Sugar Commission, but during the year 1948-49 the Syndicate made releases amounting to 80 per cent of the year's production till the 28th June 1949 without the Sugar Commission's sanction. If excessive releases had not been made, the question of excessive movement would not have arisen.

Concluding its finding on the subject the Committee has stated as follows :—

“ It seems clear, that in the case of the Central Government there was no statutory duty (to regulate quota releases and movement) but it is obvious that if an intercession is made on the representation of an interested party, there is an obligation to make sure

that such representation is well-founded and that remedy devised has relation to actual facts and past experience. Apart from this, there is the general obligation to be vigilant of the public interests. The Indian Sugar Syndicate and the Sugar Commission had the statutory authority to regulate supply and distribution.....There was also the supervising authority of the Governments of U. P. and Bihar. Obviously, in such an arrangement the direct responsibility lies only with the Indian Sugar Syndicate and the Sugar Commission ; the role which other parties mentioned above have played is only indirect."

The Committee is of the view that the complaint made by the Sugar Syndicate in February, 1949 regarding inadequate supply of wagons was baseless since the quantity of sugar moved in February and the first fortnight of March 1949 was much larger than that in the corresponding period of 1948 and no intercession by the Central or State Governments was called for. The Committee is also of the view that since a plan was made, it should have been kept under review and the wagon supply regulated accordingly.

It may be noted that information about despatches in February was not available and despatches in March were yet to take place when the complaint by the Sugar Syndicate was received ; on the other hand, despatches according to figures supplied by the Indian Sugar Syndicate of sugar in January 1949 were only 53,550 tons as against 81,573 tons in January, 1948. The supply of wagons during the last three months of 1948 was also, very inadequate. The experience of the past several years had been that the supplies of wagons on the O. & T. Railway on which the bulk of the factories in U. P. and Bihar are situated, were chronically short. The factories had a large carryover of two lakh tons from the previous year and the new season's production was fast accumulating. The factories were reported to be in financial difficulties by the U. P. Government. Due to lack of adequate transport prices of sugar in the industrial centres were rising. In view of all these facts it did not appear to Government that the anxiety shown by the Sugar Syndicate and the State Government of U. P., was without justification. Increased wagon supply was therefore, considered necessary at a time when crushing was at its peak. The wagon supply was, therefore, stepped up. It is true that the wagon supply position had improved in February and March 1949 but there was no guarantee that the improvement would be maintained. In order that similar difficulties may not recur a plan for movement of sugar leaving a normal carryover of one lakh tons at the end of the year with the Industry, was drawn up. There was no miscalculation in the plan as stated by the Committee regarding the carrying capacity of a wagon on the different Railways. The calculations were correctly made on the appropriate wagon capacity for each Railway and not on a uniform rate of ten tons per wagon.

The object underlying the plan was not to regulate movement statutorily but to provide a minimum guarantee of supply of wagons to the factories as is clear from the fact that it was mentioned in the plan that there was no objection to supply more wagons. The plan was, therefore, meant to serve as guide to the Railways and the Industry. It could have no further significance under conditions of decontrol.

The operation of the plan was being observed but, as it happened, many more wagons became available and the plan was exceeded. No one at that time could, however, anticipate that the transport position would ease considerably. Under decontrol when there was a free market the Railways could not refuse to give more wagons when they became available and if demanded, as the plan had no statutory basis and the Railways are public carriers.

Under decontrolled conditions the responsibility for planned movement of sugar lay on the Indian Sugar Syndicate which was the marketing organisation of the factories in Uttar Pradesh and Bihar, and not on the Central or State Governments who had deliberately adopted a policy of decontrol, the necessary implication of which was not to impose any restrictions on movement or distribution.

(2) *Movement of sugar intended for consumption in India into Pakistan during 1949.*—There was no ban on export of sugar from India to Pakistan from 16th June, 1948 to 2nd September, 1949. But Pakistan had levied an import duty of £30 per ton before 1st March, 1949. The ex-factory price of sugar in India in 1947-48 was Rs. 35/7 per maund. As the cost of Indian sugar after paying the import duty would have been excessive, the Committee thought that it would have paid the traders on both sides of the Indo-Pakistan border to move Sugar only by manipulating evasion of import duty.

In 1949, the price of Indian sugar was reduced to Rs. 28-8-0 per maund while the import duty in Pakistan was also abolished from 1st March, 1949. Between 1st March, 1949 and 1st September, 1949, therefore, sugar could have moved from India to Pakistan without let or hindrance. According to the figures supplied by the Director-General of Commercial Intelligence and Statistics only 6,606 tons of sugar was exported from India to Pakistan from November 1948 to October, 1949. Both the Industry and the Trade, however, alleged that about 50,000 tons of sugar was exported to Pakistan during the said period. The trade estimate was based mainly on the fact that much larger quantities of sugar were despatched to border States like West Bengal, East Punjab and Assam and to towns situated on the Indo-Pakistan border during 1948-49 than during 1947-48. Quantities of sugar despatched to Saurashtra were also much larger in 1948-49. Sugar despatched to important border towns in 1948-49 totalled 1,15,945 tons as against 54,682 tons in the previous year. Since consumption in these border towns could not have increased to the extent shown by the additional quantities sent to them in 1948-49, the Committee feels that the extra quantity of sugar must have gone to Pakistan. Under decontrol, however, large border movements could not be prevented. There are also physical limitations in effectively sealing a border which is hundreds of miles in length. The Government of India have taken suitable precautions in the current year to avert clandestine removal of sugar out of the country by keeping a close watch on the inter-state movement of sugar and by allowing it only under permits to be issued by the Central Government.

(3) *Alleged despatch of sugar by sugar factories in breach of the freezing orders of the Uttar Pradesh and Central Governments.*—The total quantity of sugar frozen by the Uttar Pradesh Government was 80,836.9 tons. The Committee has found that there were no despatches by factories in breach of the Uttar Pradesh Government's freezing order.

The quantity of sugar frozen by the Central Government was 1,13,677.5 tons. Out of 125 sugar factories whose stocks were frozen by the Central Government, 3 factories have been found by the Committee to have despatched about 150 tons of sugar in breach of the Government orders. The Government of India are examining the cases of these factories with a view to taking suitable action in the matter.

(4) *Premium charged by sugar factories over their fixed price during July-August 1949.*—The Indian Sugar Syndicate informed the Committee that 13 factories from among their members had charged a premium over their fixed

prices. Replies received by the Committee from factories direct, however, showed that certain other factories had also charged premia. The premium charged by different factories varied widely and was as high as Rs. 10-12-4 per maund in some cases. The information supplied to the Committee by merchants showed that a much larger number of factories had charged such premium, and their number in U. P. and Bihar alone would be more than 75.

As the prices for the factories were fixed by the Syndicate and as there was nothing in the Syndicate's Constitution to prevent the factories from charging higher prices, no action was taken by the Syndicate against such factories. Nor could Government do anything in the matter as there was no statutory control on sugar prices at that time. Government control had to be reimposed as a sequel to the scarcity of sugar created by the factories and the trade and the high prices charged by them to the consumer.

(5) *Proposal for export of 50,000 tons of sugar to Pakistan.*—The Indian Sugar Syndicate thought of exporting sugar to Pakistan as early as January 1949 at even 'cut' prices. A surcharge of As. 4 per maund was levied by the Syndicate on all sugar released by the Syndicate for home consumption with a view to making good the loss on such exports. The Syndicate could not, however, find any foreign buyer upto mid-June 1949. Government was approached about that time to help the Industry in its efforts to export sugar to Pakistan.

At this juncture a representative of the Government of India, who had gone to London in connection with talks on Sterling Balances, telegraphed to the Government of India that Pakistan representatives had requested U. K. for dollar allocation for purchase of sugar and that U. K. Government had suggested that India should export sugar to Pakistan. The matter was placed before the Economic Committee of the Cabinet, and it was decided to offer *inter alia* 30,000 tons of sugar to Pakistan through U. K. and to help the Industry to export it by price manipulation if necessary. The news of this Government's decision had a bullish effect on the market and gave rise to a feeling of scarcity. Internal prices rose and the Syndicate, therefore, gave up the idea of exporting any sugar.

The Committee has questioned the propriety of the above Government's decision taken at a time when the stocks with the factories were much below the normal level and the position of the projected carry-over at the end of the year was in jeopardy. As regards the Industry, the Committee has stated that since substantial stocks had left the factories by June-July, 1949, the Industry could not have been interested in exports unless some stocks had been deliberately kept back for the purpose, and the attendant scarcity had something to do with it. The Committee has concluded that "one or the other conclusion is inescapable that very substantial quantities of sugar were concealed with a view to exporting to Pakistan, and subsequently remained underground, or that artificial scarcity was created with a view to pushing up prices. It is difficult to say which motive actually ruled the men that mattered." Nor is the Government in a position to throw any more light on the subject.

(6) *Movement of sugar by factories and trade during July-August 1949.*—The statistical data collected by the Committee clearly shows that there was considerable movement of sugar from factories and distributing centres in all directions. The sugar purchased by merchants from factories at premium prices was passed on to merchants in consuming centres at increased prices. Since, however, there was no control on sugar prices or movement during those months, the Government of India or any of the State Governments could not take any action in the matter.

2. The main causes of the sugar crisis of 1949 in the opinion of the Committee as also of the Tariff Board were the uncontrolled and accelerated releases from the factories by the Indian Sugar Syndicate and the decision taken towards the end of June 1949 to facilitate the export of a substantial quantity of sugar. Both these factors had a marked bullish effect on the sugar markets. The situation was fully exploited by the Industry and the trade to their advantage. Consequently, a feeling of scarcity was created in the later half of 1949 leading to high prices of sugar. The conclusion to be drawn is that unless releases from factories are regulated and properly controlled, or, alternatively, sufficient stocks are at the disposal of the State, there will inevitably be a tendency towards hoarding and profiteering in a commodity like sugar in the later part of the season.

3. The Committee has drawn the attention of the Governments to the fact that a number of merchants and factories failed to send a reply to the questionnaire sent out by them under the Sugar Crisis Enquiring Authority Ordinance of 1950. The question of taking action against the defaulters is under the consideration of Government.

4. Government wish to thank Shri Ganga Nath, the sole member of the Committee, for an illuminating and painstaking report on a matter which had much exercised the public mind.

Ordered that a copy of this Resolution be communicated to all State Governments, all Ministries, Cabinet Secretariat, Prime Minister's Secretariat.

Ordered that it will be published in the *Gazette of India*.

VISHNU SAHAY,
Secretary.



INTRODUCTORY

This Committee was appointed by the Government of India under their Resolution No. SV-101 (4-15)/50 dated the 12th June, 1950. The circumstances which led up to its appointment and the points to be enquired into are given in the Resolution, which runs as follows :—

“The Government of India in their Resolution No. 33(1)-T.B./50 dated the 6th March, 1950 issued by the Ministry of Commerce on the report of the Tariff Board on the Sugar Industry had stated *inter alia* that the question whether any further enquiry into the sugar crisis of July-August, 1949 was necessary and if so what its scope should be, was engaging their attention and a decision thereon would be taken shortly. Government have now completed their examination of the Tariff Board Report and having regard to the assurance given to the Parliament that an enquiry will be made about such aspects of the sugar crisis as were not fully covered by the Tariff Board, they have decided that the enquiry should be held into the following matters of which items 1 and 2 were recommended by the Tariff Board themselves for further investigation.

(1) The suggestion that wagon supply to the sugar factories for movement of sugar during the season 1948-49 was excessive.

(2) The allegation that sugar intended for consumption in India was in fact moved into Pakistan on an appreciable scale during 1949.

(3) The allegation that several factories despatched sugar in breach of the Freezing Order of the U. P. Government on 26th August 1949 and of the Central Government on 2/9/1949.

(4) The allegation that many factories or their sales agents charged heavy premia over the fixed price during July-August, 1949.

(5) The circumstances under which the proposal for export of the 50,000 tons of sugar was made in May-June 1949 by spokesmen of the Industry and the circumstances under which the proposal was dropped.

(6) The allegation that substantial stocks of sugar were moved out by the factories to their own godowns before the crisis, that large stocks were moved by the factories and trade from the Bihar Factories during the interval between the U. P. and the Central Government's Freezing Orders and that in July-August, 1949 considerable movement of sugar by factories and trade took place in various directions to facilitate the sale at exorbitant prices of sugar purchased at high premia.

(7) Any other matter which may be germane to or incidental to any one or more of the aforesaid matters or to any finding of the Tariff Board on the sugar crisis.

2. The Government of India have appointed Shri Ganga Nath, retired Judge of the Allahabad High Court to conduct the above enquiry. He shall have access to such official records as are necessary for the purposes of the enquiry and he is also authorised to undertake such touring as may be necessary.

The Government of India trust that the Sugar Industry, the trade and general public will cooperate to facilitate the early completion of the enquiry by Shri Ganga Nath".

The Committee started functioning immediately after the publication of the Government Resolution.

The Committee issued a Press Note on the 19th June, 1950 and a circular letter on the 21st June, 1950 to all interests namely, Sugar Factories, Sugar Factories' Associations and its affiliated branches, the Indian Sugar Syndicate, Sugar Merchants, Sugar Merchants' Associations, Labour Unions, Members of Parliament who had taken part in the debates on the sugar crisis and Members of Legislative Assemblies who had put questions on the sugar crisis and other persons interested in sugar affairs, and the State Governments, and requested them to favour the Committee with their views and such information bearing on the subject matter of the enquiry as they might possess. The Committee further asked the different parties, if they had any objection to being called as witness. The Committee also sent Questionnaires on 5th July, 1950 to (a) all the State Governments, (b) all the Sugar Factories, (c) Indian Sugar Syndicate and (d) some Sugar Merchants and Sugar Merchants' Associations. A copy each of the Press Note, the general circular letter and the Questionnaires mentioned above is given in Appendices 1 and 2. The names of the persons factories and associations to whom the questionnaires were issued are given in Appendices 4—10.

The Committee also asked for the necessary information from the Ministry of Agriculture, Central Excise Department, Railways, Controller of Exports, Central Board of Revenue, Customs Collectorates, Customs offices at land barriers and Director General of Commercial Intelligence and Statistics which has been mentioned under the relevant points of reference. Where there were any discrepancies they were referred to the offices concerned. In some cases they were corrected and in others they were adhered to.

As was stated in the Government Resolution of 12th June, 1950 the Committee started its work on the assumption that it would get full cooperation from the Public, Industry and Trade on a voluntary basis. The difficulties of doing so, however, became apparent when the Committee received letter No. OMS/1008/Sugar dated the 11th July, 1950 from the Manager, EIR (Appendix No. 16) in which it was stated :—

"Efforts were made to collect particulars of the actual consignees from the Mills but the Mills regretted their inability to supply this information on the plea that it was "off season" for them and they did not have the necessary staff to provide this information".

The Committee at once informed the Government of India and wrote that the Committee should have powers to collect evidence and information necessary to deal with points to be enquired into and that if we waited for further evidence of failure to obtain information on a voluntary basis, it was apprehended that the proceedings of the Enquiry might be unduly delayed.

The fears of the Committee about the lack of cooperation of the public and parties concerned disclosed in its letter to the Government referred to above were confirmed when the time given for statements of views on the points under enquiry and names of persons who would like to give evidence and replies to the questionnaires expired on 20th July, and 25th July respectively. The Committee again wrote to the Government and informed them of the poor and discouraging response from the Public, Trade and Industry.

To remedy matters **Sugar Crisis Enquiring Authority Ordinance No. XXV of 1950 (Appendix No. 11)** giving necessary powers to the Committee was promulgated on 1st September, 1950.

As soon as it was promulgated, the Committee issued 2nd set of Questionnaires (Appendix No. 3) to Factories, Merchants, Indian Sugar Syndicate and Industrialists respectively as follows :—

166	Factories
126	Factories' Managing Agents
490	Merchants
	Indian Sugar Syndicate
8	Industrialists.

Their names are given in the lists in Appendices 4, 8, 9 and 10.

They were requested to send their replies by the 25th September, 1950. Merchants' and Factories' Associations and a number of Factories and Merchants applied for extension of time for replies. In deference to their wishes the time was extended till the 15th of October, 1950 which seemed more than adequate considering that they had had time for their replies since 5th July, 1950 if they had cared to collect the required information. Out of them 21 factories and 136 merchants whose lists are given in Appendices No. 13 and 14 did not send any reply. It is for Government to consider whether any action should be taken against them or not.

The Committee examined representatives of Ministry of Agriculture, Ministry of Railways, Merchants' Associations, Chairman, Indian Sugar Syndicate, Secretaries, Industry and Civil Supplies Departments, U. P. Government, Sugar Commissioner U. P. and Bihar, Cane Commissioner and Sugarcane Specialist of Bihar Government and other witnesses. Their list is given in Appendix 15.

The Committee is indebted to the Ministry of Agriculture ; Central Board of Revenues, and Railway Board for the assistance it got from them and E. & S. Directorate, Ministry of Agriculture for the assistance it gave in the preparation of statistical tables.

Short History of the Sugar Industry.—Before going into the points under enquiry but purely as a background a short history of the Sugar Industry may be given. Before protection was granted to the sugar Industry in 1932 there were only 31 Factories producing 1·58 lakh tons of sugar. Under the Sugar Industry (Protection) Act, the import duty was Rs. 9/1/- per cwt. which was equivalent to an *advalorem* rate of about 190 per cent on the then current *c.i.f.* price of sugar. The high degree of protection encouraged rapid development of white sugar Industry, and the imports of sugar decreased from 516,000 tons in 1931-32 to 201,000 tons in 1935-36. The number of Sugar Factories rose to 56 in 1932-33, 111 in 1933-34, 128 in 1934-35 and 135 in 1935-36. By this time the sugar Industry had developed almost to its maximum, with only a slight increase in 1936-37 and 1938-39, the number of factories increasing to 137 in 1936-37 and to 139 in 1938-39. So far as sugar production is concerned it achieved a maximum of 11·1 lakh tons in 1936-37 after which there was a fall to 9·3 lakh tons in 1937-38, whereas in 1938-39 there was a sudden fall to 6·5 lakh tons. This sudden fall was due to the failure of the cane crop over extensive areas in U. P. and Bihar and consequent short supply of cane to the

Factories. The Governments of U. P. and Bihar decided to raise the minimum price of cane from As. -/5/3- per maund to Rs. -/11/9, as a result of which the cultivators put more area under cane, and sugar production, increased to its highest level in the year 1939-40. 12·07 lakh tons of sugar were produced in that year. After this there was a gradual decline in sugar production in the Indian Union, being 10·46 lakh tons in 1940-41. This decline was due to the restrictions imposed by the Governments of U. P. and Bihar on maximum quantity of cane which should be crushed by the Sugar Factories during the year on account of which large quantity of cane had to be burnt by the cane growers. During 1941-42 there was a sharp decline and sugar production was reduced by about 25 per cent and only about 7·51 lakh tons of sugar was produced in India in that year. This sharp decline was mostly due to the above restrictive policy of the State Governments with regard to production of sugar after a peak production in the year 1939-40.

World War II started in September, 1939. By March 1942 there was a sufficient rise in the price of almost all commodities. In order to check rising trend of prices of commodities the Government of India decided in favour of price control and sugar was the first commodity to come under the system of control. This control continued upto 8th December, 1947 a period of about 5 years and a half. During 1942-43 production increased to 10·70 lakh tons and in the next year i.e., 1943-44 it reached peak level of 12·16 lakh tons. During 1945-46, however, the area under cane decreased particularly due to the impact of Grow More Food Campaign and high prices of foodgrains. Sugar factories were actually starved of cane during this period. The number of the working days were reduced to 81 days in Bihar in 1945-46 as compared to 150 days in 1933-34. Sugar production was reduced to 9·53 lakh tons in 1944-45 and 9·68 lakh tons in 1945-46 and remained at about the same level i.e., at 9·21 lakh tons in 1946-47. The sugar industry represented to the Governments of U. P. and Bihar and also the Central Government that production of sugar could not increase under control conditions. By this time the common man had also experienced great difficulty on account of black-marketing, of sugar in particular and other commodities in general. The Government of India, thereupon decontrolled it on 8th December, 1947.

Indian Sugar Syndicate.—It is necessary to point out here that after sugar was decontrolled, the Government had no control over the sugar industry except in U. P. and Bihar where the relevant sections of the Sugar Factories' Control Acts could be brought into force after decontrol. The Sugar factories in U. P. and Bihar had their Syndicate which began to function actively after sugar was decontrolled. This Syndicate was known as Indian Sugar Syndicate. It came into existence in May, 1937 and was registered as a Registered Society with its head office at Calcutta and commenced working actively from July of the same year. It started as a voluntary association of sugar Mills. 106 out of 135 sugar Mills in the country joined the Syndicate in the first instance. The original list of its members included most of the Sugar Mills in U.P. and Bihar, one Mill in Sind, one Mill in North Bengal and two Mills in Bombay, Deccan. Just before the Syndicate was formed the price of sugar had touched the lowest level of Rs. 6/1/6 per maund for Kanpur crystal sugar No. 1. The Indian Sugar Syndicate was formed with the object of regulating the sale of sugar by the member Factories and to avoid competition between the member Factories, so that the price of sugar might not fall beyond a certain minimum. The formation of Syndicate improved the tone of the market and the price of sugar rose by about Re. 1/- per maund towards the end of the season 1936-27. During 1937-38 season the question of continuance of the Sugar

syndicate was raised, certain Member Factories, resigned their membership from Syndicate because the Syndicate prohibited forward sales. It was clear, that Syndicate could not function as a voluntary organisation. The leaders of the Industry in U. P. and Bihar approached the Governments of U. P. and Bihar to help it by making membership of the Syndicate compulsory by providing in the rules made under the Sugar Factories' Control Acts that licenses for crushing cane should be issued only to those Factories which were members of the Indian Sugar Syndicate. The Governments of U. P. and Bihar acceded to this request. The Syndicate became an exclusive selling Organisation for the sugar Factories in U. P. and Bihar.

Withdrawal and restoration of recognition by the U.P. and Bihar Governments.—On account of the working of the Indian Sugar Syndicate, the Sugar Industry was able to tide over the crisis of 1937-38 by eliminating internal competition. The Provincial Governments of U. P. and Bihar, however, expected that the Syndicate would regulate the price of sugar with due regard to the interests of manufacturers, growers and consumers, and that it would stabilize the price of sugar at as low a level as possible, but the Indian Sugar Syndicate failed to pay due regard to the interest of the consumers. The Governments of U. P. and Bihar found that the unreasonably high prices maintained by the Syndicate would seriously injure the interest of the cane growers and consumers and also jeopardise the long term interest of the Industry itself, so in June 1940 they withdrew recognition of the Syndicate by rescinding the Rule under Section 11 (a) of the Sugar Factories' Control Act which required all Factories in the two Provinces to be members of the Syndicate as a condition precedent to their obtaining the annual Crushing Licence. This was followed by mass resignations of the Mills from the Syndicate. The Sugar market became demoralised and speculation and malpractices became rampant. Factories were selling at cut-throat prices. The merchants were reluctant to buy sugar being afraid of a steep fall in prices. Sugar was not moving and stocks began to pile up. Some factories in U. P. and Bihar were on the verge of being closed down. The industry particularly the Constituents of the Indian Sugar Syndicate realized their mistake and approached the U.P. and Bihar Governments to restore the recognition and take over such control of production and price of sugar as may be considered necessary. As a result of discussion between the two Governments and the various interests involved the Governments of U. P. and Bihar in a joint communique (Appendix No. 25) dated 3rd August 1940, decided to restore the statutory recognition of the Syndicate subject to the condition that it would forthwith amend its Articles of Association so as to make the Syndicate a Selling Organisation only for the purpose of regulating sales within the limits of prices and quotas fixed by the Government, to confine its activities exclusively to the marketing of sugar, and fix the basic prices and quotas for individual mills subject to the approval of the Commission which was to be set up by the two Governments. The Syndicate did so and from August, 1940 to April, 1942 the Syndicate carried on its activities under the control and supervision of the U. P. and Bihar Governments. A sugar commission was set up with the Sugar Commissioner as Chairman and the Cane Commissioners of the two States as members. The Syndicate had to obtain the previous approval of the Sugar Commission for fixing basic price of sugar and also price differentials for different grades of sugar and for releasing quotas for member Factories. A Member of the Indian Civil Service was appointed as the Executive Officer of the Syndicate whose duty it was to see that the Syndicate carried on its business consistently with the interest of the merchants, consumers, cane growers, as well as those of the sugar manufacturers. As stated above the Government of India introduced Central Control in April, 1942. Consequently the activities of the Syndicate

were considerably curtailed. It confined its work to the compilation of statistics, publication of its journal "Indian Sugar" and making representations to Government on behalf of its members. During the period of Central Control the function of sugar Commission was also curtailed. It, however, continued to make recommendations to the Governments of U.P. and Bihar relating to the fixation of the controlled prices of sugar.

Syndicate after Decontrol.—As already mentioned, Sugar was decontrolled on 8th December, 1947 and the Syndicate resumed its activities immediately as a Selling Organisation for the sugar Factories in U. P. and Bihar. It did not like the control and supervision of the Sugar Commission over it. A large number of complaints against the Syndicate were brought to the notice of the Sugar Commission in its annual meeting held in October, 1948 and it was decided that the Commission's control over the Syndicate should be tightened. The Sugar Commission started investigations into these complaints and addressed the Sugar Syndicate on various matters in connection with it, but the Syndicate followed a policy of delay and evasiveness which clearly showed that the Syndicate was reluctant to submit to the control and supervision of the Sugar Commission. As a result thereof the U. P. Govt. issued on May 12 a stern warning to the Syndicate and stated that if the conditions laid down in the joint communique were not faithfully complied with by the Syndicate, the Government would be constrained to withdraw recognition, but it appears that the warning had had no effect. The Syndicate, released quotas on 14th May, 1949, 18th June, 1949, 28th June 1949, without previous approval of the Commission. It was only on 20th July, 1949 by which time as much as 80% of production of 1948-49 season and the whole of the carry-over from the last year had been released, the Syndicate approached the Commission for approval with retrospective effect. Again though the Sugar Commission did not approve of any further release of quota except to the extent of 10% some of the Sugar Factories had already disposed of all their stocks, and on 26th August 1949 it was found that 7 had sold cent. per cent. 2.95%, 5.92% and 13 between 90% and 92%.

The Indian Tariff Board examined the working of the Indian Sugar Syndicate and recommended *vide* its report paragraph 80 that "The Governments of U. P. and Bihar should rescind clause A of Section 11 of the Sugar Factories' Control Acts and rule thereunder which requires all Factories in the Two Provinces to be members of the Syndicate as a condition precedent to their obtaining the annual crushing licence." The Government of India agreed with this recommendation and moved U. P. and Bihar Governments in this behalf. The Governments of U. P. and Bihar accepted the above recommendation and withdrew the recognition of the Syndicate. The Syndicate is now in liquidation.

Sugar crisis of July-August 1949.—In order to complete the back ground the circumstances, under which the crisis took place, may also be stated. The Committee is indebted to the Ministry of Agriculture for the figures (*vide* Appendix No. 17) given below. On 1st November, 1948 the sugar stock were estimated to be 2.41 lakh tons. The output of sugar in the year 1948-49 was 10.09 lakh tons, thus the total quantity available for consumption in the country from 1st November 1948 to 31st October, 1949 was 12.50 lakh tons, whereas in 1947-48 only 12.31 (Production 10.74 and carry-over from the last year 1.57) lakh tons of sugar were available. The actual consumption during 1947-48 was 9.90 lakh tons (total available 12.31 minus 2.41 carry-over for next year) while the supply available for 1948-49 was 12.50 lakh tons.

i.e., about 2.6 lakh tons in excess of the consumption in 1947-48. The production during the control period was as follows :—

1942-43	.	.	.	.	.	.	.	10.70 lakh tons.
1943-44	.	.	.	.	.	.	.	12.16 lakh tons.
1944-45	.	.	.	.	.	.	.	9.53 lakh tons.
1945-46	.	.	.	.	.	.	.	9.68 lakh tons.
1946-47	.	.	.	.	.	.	.	9.21 lakh tons.

Thus except for 1943-44 and to a small extent in 1942-43 the production in all the previous years was not more than the production available in 1948-49. It may be pointed out here that the production in the previous years was sufficient even to meet the demand of areas which now form Pakistan. Thus the supply of sugar in 1948-49 does not appear to have been really short. In spite of this the sugar crisis occurred. The Tariff Board has dealt with the matter of the crisis and the Committee is not required to go over again into it.



CHAPTER I

THE SUGGESTION THAT WAGON SUPPLY TO THE SUGAR FACTORIES FOR MOVEMENT OF SUGAR DURING THE SEASON 1948-49 WAS EXCESSIVE.

The Indian Sugar Syndicate complained to the Ministry of Agriculture Government of India, on 1st February [*vide* Appendix No. 18 (i)] and the U. P. Govt. on 25th February, 1949 [*vide* Appendix No. 18 (ii)] about the inadequacy of transport and slow movement of sugar. The U. P. Premier wrote on 27th February, 1949 [*vide* Appendix No. 18 (iii)] to the Hon'ble Minister for Food and Agriculture and requested that facilities for transport should be increased immediately.

The complaint made by the Indian Sugar Syndicate did not reflect the correct and real state of the supply position of transport and movement of sugar. The following statement will show the movement of sugar in January, February and March, 1949 as compared to that in the same months in the previous year (1948):—

Months	As intimated by Indian Sugar Syndicate		As intimated by the Central Excise Deptt.	
	(Appendix No. 23)			
	1948	1949	Total till	
			end of March 1949	15th March 1949
	(Tons)	(Tons)	(Tons)	(Tons)
January	81,573	53,550	69,500	..
February	37,074	1,17,291	70,600	..
March	43,512	95,295	*53,528	..
			†60,448	..
Total	162,159	266,136	254,076	193,628

*First fortnight of March.

†Second fortnight of March.

It will be noticed from this statement that according to the figures supplied by the Sugar Syndicate 1,17,291 tons in February and 95,295 tons of sugar in March and according to the figure supplied by the Central Excise Department 70,600 tons in February and 1,13,976 tons in March moved as against 37,074 in February and 43,512 tons in March 1948. The plan for supply of wagons was provisionally prepared on 19th March 1949. To compare the movements in the first fortnight of March in 1948-49 we may take (21,756 tons) half of the full month's movement (43,512) as the quantity

moved in the first fortnight of March, 1948. As against this (21,756) 53,528 tons moved in the first fortnight of March in 1949. It may also be noticed that the quantity (53,528) moved in the first fortnight in 1949 was more than the quantity (43,512) moved in the whole month of March in 1948. According to the figures supplied by the Sugar Syndicate 266,136 and according to the figures supplied by the Central Excise Department 254,076 tons moved from January to end of March in 1949 as against 162,159 in 1948, and 1,93,628 tons from January to 15th of March as against 140,403 tons during the same period in the previous year. The quantity (193,628 tons) moved from January to 15th March in 1949 was more than that (162,159 tons) moved from January to the end of March in 1948. These figures of movements of sugar are alone sufficient to disprove the complaint of inadequate transport.

However, in order to explore further the correctness of the complaint regarding inadequacy of transport the supply to the factories in 1948-49 from the beginning of the season till the 19th March, 1949 when a planned programme (*vide* Appendix No. 19) was prepared may be compared with that in the previous year i.e., 1947-48 during the same period when sugar was decontrolled and the Syndicate was quite free to move sugar on its own. The following table, which has been prepared from Appendices Nos. 29 and 30 gives the figures of supply.

Supply during this period (from November to March) in 1947-48 and 1948-49

Railway	November	December	January	February	March	Total upto end of March	Total for 1948-49 upto 15th March
OIR—							
1947-48	2,213	376	2,803	1,522	2,644	9,558	..
1948-49	2,053	2,473	2,571	2,772	*2,371 **2,839	15,079	12,240
EIR—							
1947-48	393	288	1,513	714	675	3,583	..
1948-49	398	922	981	950	*806 **966	5,023	4,057
EPR—							
1947-48	218	98	863	299	452	1,830	..
1948-49	89	538	920	643	*443 **444	3,077	2,638
SSLR—							
1947-48	5	42	171	121	50	389	..
1948-49	6	64	95	144	*75 **108	492	384
ASLR—							
1947-48	Nil.	55	57	9	2	77	..
1948-49	6	17	4	43	*56 **56	182	126

*First fortnight.

**Second fortnight.

Railway figures for 1946-47 and 1947-48 on SSLR and for 1948-49 on ASLR are not available. There is only one factory (Shamli) on SSLR, and figures for 1946-47 and 1947-48 have been taken from its reply to the questionnaire. There is only one factory (Bikaramganj) on ASLR also. Figures for it for 1948-49 have been taken from its reply. The rest of the figures have been supplied by the Railways.

It will appear from this statement that in 1948-49 there is some difference in the supply on OTR and EPR in November 1948, and OTR, EIR, SSLR and ASLR in January 1949 but it is negligible when compared to the supply in these months on other Railways and in other months and the total supply.

The OTR, EIR and SSLR have supplied fortnightly figures and EPR only monthly figures for 1948-49 and all the Railways have supplied only monthly figures for 1947-48. For EPR half of the supply for whole of March has been taken as that for a fortnight in March (1948-49 season).

If we take into consideration the wagons supplied from November 1948 to 15th March, 1949 (season 1948-49) i.e., until the plan was prepared it will be noticed that during this period in 1948-49 on OTR 12,240 wagons were supplied as against 9,558 in 1947-48, on EIR 4,057 as against 3,583 in 1947-48, on EPR 2,633 as against 1,830 in 1947-48, on SSLR 384 as against 389 in 1947-48 and on ASLR 126 as against 77 in 1947-48. The supply for the whole of March, 1948 has been included in the totals for 1947-48 while the totals for 1948-49 are only upto 15th March, 1949. It is evident that during this period the total supply in 1948-49 was much greater than that in 1947-48.

It was represented to the U.P. Government by some factories and the Chairman, Sugar Syndicate that some of the factories were in financial difficulties on account of which they could not pay the Cess and cane price due from them and needed extension of time for the payment of their arrears. In support of it the only material supplied to the Committee is the list of 32 factories which are said to have applied for and got extension of time. The Committee has examined the case of each of these factories. The following statement which has been prepared from the information supplied by them in their replies to the Questionnaire shows the date of their application for extension of time, the arrears of Cess and cane price due from them and the quantity and value of the sugar despatched by them till the date of their applications.

S. No.	Name of Factory	Date of application for extension of time for payment of Cess and Cane Price	Date upto which extension was granted	Amount of arrears due on account of			Total amount of arrears of Columns 5 and 6	Total despatches made before date of application for extension of time as given in Column 3 and its value.	
				(a) Cane Cess	(b) Cane price	(a) Quantity in bags		(b) Value	
1	2	3	4	5	6	7	8	9	
1	Dhampur	18-4-49	31-8-49	1,82,464 9 6	Nil.	1,82,464 9 6	43,259	33,74,202 0 0	
2	Khatauli	9-4-49	30-9-49	3,35,662 8 0	7,44,752 10 9	10,80,415 2 9	36,337	28,34,286 0 0	
3	Nawabgaj (Gonda)	2-4-49	30-9-49	1,20,288 15 0	Nil.	1,20,228 15 0	11,645	9,08,310 0 0	
4	Padrauna	1-6-49	No extension was granted.	1,27,274 11 0	..	1,27,274 11 0	24,759	19,31,202 0 0	
5	Bilari (Rajalakshaspur).	2-4-49 12-4-49 5-5-49	31-5-49	1,25,359 0 0	30,000 0 0	1,55,395 0 0	90,906	70,90,663 0 0	
6	Shamli	Representation was made on 31-8-49 for extension for one month but no reply was received from the Government.							
7	Deoria	28-2-49	31-8-49	92,871 10 6	Nil.	92,871 10 6	14,849	11,58,222 0 0	
8	Chittaund	24-5-49	31-5-49	52,667 0 0	Nil.	52,667 0 0	17,070	13,31,460 0 0	
9	Dooband	12-5-49	No reply from Govt.	2,87,370 8 6	7,58,296 14 6	10,45,667 7 0	33,027	25,76,106 0 0	
10	Mansurpur	9-9-49	31-12-49	Nil.	1,20,000 0 0	1,20,000 0 0	1,02,574	80,00,772 0 0	
11	Ross	No representation was made.							
12	Diamond Pipradah	No representation was made.							

1	2	3	4	5	6	7	8	9
13	Captainganj	The factory has not replied this question.						
14	Siwabazar	6-4-49	31-8-49	78,599 0 0	6,88,219 0 0	7,06,818 0 0	11,910	9,28,980 0 0
15	Pilibhit	No representation was made for the grant of extension of time.						
16	Kashipur	The factory did not make any individual representation but the Syndicate made on its behalf. No figure has been mentioned.						
17	Golagokaranath	Did not make any representation.						
18	Aira	19-8-49	31-8-49	1,46,443 12 9	1,52,522 13 6	2,98,966 10 3	11,187	8,72,580 0 0
19	Doiwala	The factory has not sent any reply to the questionnaire as it was not functioning during 1948-49.						
20	Maholi	No representation was made.						
21	Baitalpur	22-3-49 19-5-49 27-6-49	31-5-49	92,867 12 3	Nil.	92,867 12 3	24,141	18,82,998 0 0
22	Barabanki	Did not make any representation for grant of extension of time.						
23	Amroha	28-6-49 26-8-49	31-8-49 27-12-49	90,558 0 0	Nil.	90,558 0 0	52,013	40,57,014 0 0
24	Abdullahpur	12-4-49	27-7-49	80,961 3 0	Nil.	80,961 3 0	57,947	45,19,866 0 0
25	Ramkola	26-4-49	50 per cent upto 7-1-50 & 50 per cent upto 31-1-50	1,83,486 15 0	Nil.	1,83,486 15 0	22,261	17,36,358 0 0
26	Modinagar	29-6-49	31-7-49	1,60,216 2 0	5,36,372 9 9	6,96,538 11 9	71,386	55,68,108 0 0

27	Pipraich	Cess	15-2-49 11-3-49 7-6-49 4-7-49 **	2 weeks 31-8-49	1,16,807 14 0	1,13,278 1 0	2,30,145 15 0	4,638	3,61,608 0 0
28	Khadde	Cane price		No time allowed but ordered to arrange with growers. **No representation was made by the Factory direct, but on the recommendation of the Syndicate the State Government granted extension. Figures not available.					
29	Rohanakalan		23-4-49	31-7-49	2,55,164 0 0	18,03,554 6 9	20,58,718 6 9	28,945	22,57,710 0 0
30	Mohiuddinpur		9-5-49	31-7-49	3,80,003 8 9	5,97,182 13 0	9,77,186 5 9	46,371	36,16,938 0 0
31	Jaewant (Meerut)		28-3-49 6-4-49 31-5-49 1-6-49 4-7-49 5-7-49 12-4-49	23-4-49 1-6-49 31-5-49 31-7-49 31-7-49 30-9-49	1,03,666 8 0 1,43,173 2 0 2,45,785 2 0 2,45,785 2 0 2,45,785 2 0 3,18,894 12 0	10,74,339 10 6 11,90,668 8 3 3,64,211 12 6 3,64,211 12 6 3,64,211 12 6 Nil.	11,78,006 2 6 13,33,841 10 3 6,09,996 14 6 6,09,996 14 6 6,09,996 14 6 3,59,959 7 9	46,653 49,805 87,770 87,770 87,770 30,547	36,38,934 0 0 38,84,790 0 0 68,46,060 0 0 68,46,060 0 0 68,46,060 0 0 78,09,672 0 0 23,82,666 0 0
32	Sardarnagar								

Note.—One bag contained 2 maunds and 30 seers. The price per maund was Rs. 28/8/- . For the convenience of calculation the price of one bag has been taken as Rs. 78/- instead of Rs. 78/6/- the actual price.

It will be noticed from this statement that 7 factories *viz.*, Rosa, Diamond Pipraich, Pilibhit, Kashipur, Golagokaran Nath, Maholi and Barabanki did not ask for any extension. Only 4 out of the rest applied in February or March and 8 in April, 1949 and the rest thereafter. Deoria applied on 28th February. It had despatched sugar worth Rs. 11,58,222/- against its arrears of Rs. 92,871.

Pipraich applied on 15th February for two weeks and again on 11th March. It has not shown what were the arrears due from it on 15th February, but till then it had despatched sugar worth Rs. 3,61,608/-. It has not shown for what period it applied for extension on 11th March and how much sugar it had despatched after 15th February till 11th March. On 15th March its cess and Cane price arrears were Rs. 2,30,145/15/-. Probably as stated above they include the arrears due from it in February also. It had already despatched sugar worth more than the amount of arrears. Baitalpur applied for extension on 22nd March. It had despatched till then sugar worth Rs. 18,82,998/- against Cess arrears of Rs. 92,867/12/3. No arrears for cane price were due from it. Jaswant applied on 28th March. It had despatched sugar worth Rs. 36,38,934 against arrears of Rs. 11,78,006/2/6 for Cess and Cane price due from it. Other factories applied for extension of time in April and thereafter *i.e.*, after the plan for supply of wagons had been prepared. As will appear from the statement almost all the factories had despatched sugar worth much more than the arrears due from them till the date of their applications.

It is, therefore, clear that there was no financial difficulty and that, as shown above, neither was the transport inadequate nor was the movement of sugar slow. The complaint of the Sugar Syndicate to the U.P. Government and Ministry of Agriculture was thus quite baseless. Nevertheless on the basis of that complaint a plan for supply of wagons more or less according to the wishes of the Syndicate was prepared and sanctioned, the details of which follow.

On receipt of the complaint from the Sugar Syndicate and the U.P. Premier, the Ministry of Agriculture, Government of India approached the Ministry of Transport (Chief Controller of Railway Priorities) and requested them to step up supply of wagons for movement of sugar. The Ministry of Transport held a meeting on the 19th March, 1949 in the office of the Traffic Manager, OTR, Gorakhpur (*vide* Appendix No. 19). The representatives of the Ministry of Agriculture and Chairman, Sugar Syndicate attended the meeting. In their presence Shri Anand, Regional Controller of Railway Priorities repudiated the complaint about the inadequacy of transport. Shri Narang admitted that there was no inadequacy of transport during the previous year. If there was no inadequacy during that year 1947-48 there could be no inadequacy in 1948-49 from the beginning of the season, 1st November, 1948 till the time of the meeting (19th March, 1949), when the supply was much more than during the same period in the year 1947-48.

As a result of this meeting and on the basis of data available with the Ministry of Agriculture a plan was prepared in which a quota of 190 wagons per day was decided upon. But this plan was not finalised as it was found that there was some cross-movement involved. Also EIR, ASLR, SSLR and EPR were not taken into consideration in the March meeting. The Transport Ministry, therefore, called the meeting on the 14th April, 1949 (*vide* Appendix No. 20). A daily quota of 24 wagons for EIR, 1 for ASLR, 2 for SSLR and 18 for EPR was fixed in this meeting.

The meeting was attended by the Joint Secretary, Ministry of Transport, the representatives of the Ministry of Agriculture, Indian Sugar Syndicate,

Chief Controller of Railway Priorities and Regional Controller of Railway Priorities. The meeting arrived at a plan of movement of sugar as given in Appendix No. 20. The basis of this plan was that at the end of the season, which date in this case was taken to be 15th December, 1949, there should be a carry-over of a lakh tons of sugar with the Syndicate factories. It was stated in the plan that :—

- (i) This programme was to be immediately enforced and the factory-wise and route-wise distribution to be made by the Sugar Syndicate in consultation with the Regional Controller of Railway Priorities.
- (ii) Within the overall quotas for the season special trains should be run as and when convenient. There was also no objection to the wagon quotas being stepped up; and
- (iii) In view of the contractual obligations stocks already sold by the factories should be permitted to be moved to their original destinations irrespective of the zonal scheme on necessary details of movements being furnished to the Regional Controller of Railway Priorities concerned.

The number of daily quota of wagons to be allotted under the plan was 215. As stated by Shri Sethna in his letter of 12th October, 1949 (*vide* Appendix No. 21) in fixing the daily quota, the capacity of each wagon to be allotted was taken as 10 tons while on the broad-gauge railways, i.e., EIR and EPR the capacity of a wagon is 20 tons. The result of this miscalculation was that double the number of wagons of what was intended to be allotted was allotted on these Railways and instead of removing only 4.2 lakh tons of sugar 5.14 lakh tons would have been removed during the period for which the plan was prepared leaving only 6,000 tons instead of one lakh tons at the end of it.

It was this plan which the Railways undertook to implement from the 18th April, 1949 onwards. In the meantime, however, the provisional plan prepared in the meeting held on 19th March, was already in operation. Thus the question whether the supply made was excessive or not arises from the 19th March, 1949 onward.

The position of movement of sugar was reviewed in periodical meetings of the Standing Committee of the Central Board of Transport. On 28th April, 1948 it was decided that the Ministry of Agriculture should obtain 10-day reports on sugar movements from the sugar factories on the OTR and submit them to the Committee from time to time. The Ministry of Agriculture reported satisfactory movement of sugar during the period May, June and July and in the meeting on 21st July, 1949 the Ministry of Agriculture pointed out that the daily-overall quota of 170 wagons on OTR might conveniently be reduced to 120 wagons a day. It was agreed to by the Standing Transport Committee and a revised wagon quota allotment was prepared. The reduced daily quota of 144 wagons came into effect from 16th August, 1949.

The plan for supply of wagons was enforced from 19th March, 1949. The UP Government's Freezing Order stopped the movement of sugar by UP factories from the 26th August and the Central Government's Order movement of sugar by all the factories from 2nd September 1949. The 31st August, 1949 may thus be taken to set the other limit of the period in respect of which the conditions have to be reviewed.

The question of the excessive supply of wagons has, however, to be considered in the light of several matters. First of all the number of wagons actually supplied since the plan came into force may be considered in relation to the number allotted under the plan together with its effect on the movement of sugar.

The table below will show the number of wagons allotted under the plan and actually supplied from 16th March, to 31st August, 1949. As the Railways have sent fortnightly returns (*vide* Appendix No. 29) the tables show figures from 16th March, 1949.

It will appear from the following table that 9284 wagons were supplied in excess over the planned quota. This resulted in removal from factories of an extra quantity of 1,30,001 tons.

No.	Railway and District	Wagons actually supplied.	Wagons to be supplied according to the plan	Difference	Extra quantity of sugar in tons
I	<i>O.T.R.</i>				
	(a) Samastipur . . .	7029	4020	3009	30090
	(b) Sonapur . . .	10969	7801	3168	31689
	(c) Gonda . . .	4287	4686	— 399	— 3990
	(d) Izatnagar . . .	4819	6164	— 1345	— 13450
	Total . . .	27104	22671	4433	44330 @ 10 tons per wagon.
II	<i>E.I.R.</i>				
	(a) Moradabad . . .	3399	2412	987	19740
	(b) Lucknow . . .	637	402	235	4700
	(c) Dinapore . . .	819	402	417	8340
	Total . . .	4855	3216	1639	32780 @ 20 tons per wagon.
III	<i>S.S.L.R.</i>	1222	468	754	5278 @ 7 tons per wagon.
IV	<i>E.P.R.</i>	4751	2412	2339	46789 @ 20 tons per wagon.
V	<i>A.S.L.R.</i>	453	334	119	833 @ 7 tons per wagon.
	Grand Total . . .	38385	29101	9284	130001

The supply of wagons in 1948-49 may also be compared with that in the two previous years (*vide* Appendix No. 30).

The following comparative table shows the supply of wagons for three years 1946-47 (control period); 1947-48 (decontrol period) and 1948-49 for the period from March to August when the plan was in force:

Railways	March	April	May	June	July	August	Total upto end of August	Total for 1948-49 from 16th March to the end of August
O. T. R.								
1946-47	3167	3836	2647	2437	3850	3386	19313	
1947-48	2644	2848	2840	2896	3165	4203	18596	
1948-49	*2371 **2839	5736	5161	4251	3995	5122	20475	27104
E. I. R.								
1946-47	951	865	484	450	552	308	3610	
1947-48	675	794	544	710	772	1075	4480	
1948-49	*806 **966	1069	924	612	465	819	5661	4355
P. R.								
1946-47	445	336	241	196	341	179	1738	
1947-48	452	1074	951	543	603	1232	4855	
1948-49	*443 **444	822	901	981	1061	542	5194	4751
S. S. L. R.								
1946-47	181	126	130	131	166	128	862	
1947-48	50	295	184	62	178	240	1009	
1948-49	*75 *108	158	110	265	330	251	1297	1222
A. S. L. R.								
1946-47	45	36	7	30	35	12	165	
1947-48	2	14	94	43	101	63	317	
1948-49	*56 **56	40	54	91	99	113	509	453

*First Fortnight.

**Second Fortnight.

As stated above the figures for 1946-47 and 1947-48 on SSLR and for 1948-49 on ASLR have been taken from the replies of the factories on these Railways, to the questionnaire and other figures have been supplied by Railways.

It will appear from this statement that the supply of wagons from March to August in 1948-49 was much greater than that during the same period in the previous two years.

The effect of this excessive supply of wagons on movement and despatches of sugar may next be considered.

The following figures of despatches in each month in 1947-48 and 1948-49 as supplied by the Sugar Syndicate (*vide* Appendix No. 23) and the Central

Excise Department will show how accelerated the despatches were in each month :—

Month	As intimated by Indian Sugar Syndicate		As intimated by Central Excise Department, 1948-49 (in tons)
	1947-48 (in tons)	1948-49 (in tons)	
January	81,573	53,550	69,500
February	37,074	117,291	70,600
March	43,512	95,295	113,976
April	53,245	103,543	108,200
May	65,139	92,852	97,000
June	51,000	84,227	86,300
July	60,858	98,558	92,459
August	92,448	121,423	104,897
September	77,340	19,344	21,100
October	54,080	47,564	50,500
November	31,517	36,973	
December	33,875	30,406	

The daily quota of wagons was fixed in the plan discussed above so as to remove sugar from the factories in 200 days (Sundays and holidays excluded) in such a way as to leave on 15th December, 1949 one lakh tons of sugar for the carryover for the next year. The Chairman, Sugar Syndicate had told the UP Govt. in his letter of complaint [*vide* Appendix No. 18 (iii)] that he expected a carry-over of about 3 lakh tons on the 1st December, 1949 as compared to 1.98 lakh tons of last year. As a result of the wagon supply sugar began to move very fast with the result that at the end of August, 1949 the stock of sugar in UP and Bihar factories was only 107320 (Excise figures) tons as compared to 333615 (Indian Sugar Manual, 1949) tons at the end of the same month in the previous year.

Even though the plan itself was based on a liberal supply of wagons there was unfortunately a provision in the plan for stepping up the daily quota if necessary. This provision was obviously intended to be used only in exceptional cases consistently with the rest of the plan and bearing in mind the entire period for which the plan was prepared and not for using it in such a way as to denude the factories and exhaust the stock meant for the whole year's consumption by the end of August, 1949. The Syndicate, however, fully exploited this provision and practically got the supply of wagons it asked for by creating a bogey of delayed movements.

As the despatches and movement of sugar were directly connected with the releases of quota of sugar made by the Syndicate the releases made in 1948-49 may be compared with those in the previous year.

The table given below supplied by the Indian Sugar Syndicate (*vide* Appendix No. 22) will show the comparison between the release made in 1947-48 and 1948-49:—

Season 1948-49			Season 1947-48		
Date of release	Percentage quota released	Accumulative percentage	Date of release	Percentage quota released	Accumulative percentage
1	2	3	4	5	6
17-1-49	5%	..	19-12-47	90% of production upto 31-1-48.	} 35%
29-1-49	7%	12%	22-4-48	Balance 10% of the above.	
10-2-49	8%	20%	5-6-48	3.75%	39.00%
2-3-49	5%	25%	21-6-48	6%	45.00%
10-3-49	5%	30%	29-6-48	5%	50.00%
26-3-49	10%	40%	30-6-48	5%	55.00%
22-4-49	10%	50%	24-7-48	5%	60.00%
14-5-49	10%	60%	26-7-48	5%	65.00%
18-6-49	10%	70%	23-8-48	5%	70.00%
28-6-49	10%	80%	26-8-48	5%	75.00%
26-7-49	10%	90%	10-10-48	5%	80.00%
			17-12-48	15%	95.00%
			29-12-48	5%	100.00%

It will appear from this table that the releases in 1948-49 were very heavy as compared to those in 1947-48. In 1948 only 35.25% had been released till 22nd April while in 1949, 50 per cent. had been released till 22nd April.

According to the figures supplied by the Ministry of Agriculture 7,69,964 tons were produced in the UP and Bihar factories in the season 1947-48 and 7,18,360 tons in 1948-49 [*vide* Appendix 17(v)]. In season 1947-48, 35.25% was released out of the production of the season on 19th December, 1947 and 22nd April, 1948 which comes to 2,71,412 tons. Out of the production of 1947-48, 20 per cent. the balance left, which comes to 1,53,993 tons, was released in December, 1948, and out of the production of 1948-49 50 per cent. which comes to 3,59,180 tons was released upto 22nd April, 1949. Thus a total quantity of 5,13,173 tons was released during the season 1948-49 upto 22nd April, 1949. In other words 2,41,761 tons were released in 1948-49 more than in the season 1947-48.

It will also be noticed that in 1948-49 till the end of June, 1949, 80 per cent. and till 26th July, 1949, 90 per cent. were released as against 55 per cent. till the end of June and 65 per cent. till 26th July, 1948 in 1947-48.

One of the reasons given for the release by the Chairman of the Indian Sugar Syndicate is that the Syndicate was pressed hard to utilise the wagons supplied by the Railways. He seems to have forgotten, however, that as has been stated by Shri Anand, Regional Controller of Railway Priorities and Shri M. D. Sethna, Chief Controller of Railway Priorities, the requisition and programme for the wagon supply was to be made by the Syndicate, and no wagon were supplied without an indent. The table given below will show that the Syndicate indented for 1,11,174 wagons on O.T. Rly and 20,658 on EIR against which only 40,044 on OTR and 9,613 on EIR were supplied.

Railway	Indented	Allotted	Supplied	Loaded
<i>O. T. Railway.—</i>				
1. Samastipur	10,666	10,413	9,916	9,888
2. Sonapur	49,950	16,268	15,598	15,427
3. Gonda	9,213	7,135	6,598	6,501
4. Izatnagar	41,345	7,950	7,932	7,518
Total	1,11,174	41,766	40,044	39,344
<i>E. I. Rly.—</i>				
1. Moradabad	16,970	8,671	6,961	6,399
2. Lucknow	1,607	1,606	1,336	1,242
3. Dinapur	2,081	1,637	1,316	1,271
Total	20,658	11,914	9,613	8,912
<i>M. & S. M. Rly . . . . .</i>	..	..	..	1,386
<i>E. P. Rly</i>	..	7,348	..	..
<i>G. I. P. Rly. . . . .</i>	..	..	..	2,507
<i>S. S. Rly. . . . .</i>	..	..	1,606	1,606

If we take into consideration the working of the plan as a whole, and also compare (i) the period (200 days, Sundays and holidays excluded) during which it had to be worked with the short period of 110 days (Sundays and holidays excluded) from 15th April, to 25th August, 1949 during which almost the whole quantity which had to be moved in 200 days was moved, (ii) the planned movement of sugar which was to be continued till 15th December, 1949 under daily quotas of wagons with the movement under which it was moved by 25th August, 1949 (iii) the number of wagons 29,101 which should have been supplied from 16th March to 31st August, 1949 according to daily quota plan with the number 38,385 which was actually supplied during this period (iv) the total number of wagons 38,385 supplied from 15th March to end of August in 1949 with 25,688 supplied in 1946-47 and 29,257 in 1947-48 from 1st March to end of August and (v) the consequences, one of which was that 1,30,001 tons of sugar were removed from the factories by this excess supply of 9284 wagons, there can be only one conclusion and that is that the supply

of wagons was excessive and this excessive supply did result in heavy movements of sugar. The following statement in the note of the Ministry of Agriculture on this point (Appendix No. 28) also lends support to this conclusion:—

“The excessive supply of wagons occurred mainly on the EI and EP Railways on which there were no priority regulations in existence.”

It may be mentioned that these Railways were included and a daily quota of wagons for them also was fixed in the plan.

It is not within the scope of the Committee's terms of reference to allocate responsibility for, this excessive supply or its consequences. It is, however, only fair to Government and the public to state what the position taken up by different Government agencies concerned in regard to this matter is. The facts would themselves show to what extent the position taken up is tenable, and whether there has been any omission. The two Ministries of the Government of India concerned in it are the Ministry of Agriculture and Railways.

Shri N. T. Mone, Joint Secretary to the Ministry of Agriculture, Government of India has described the position of the Ministry as follows :—

“I again want to emphasise the point that decontrol must be taken with all its implications. Once we decontrolled there was going to be no restriction absolutely on movement or prices. As regards prices there was no restriction in law though there used to be informal understanding with the industry by way of “Gentlemen's Agreement”. As regards movements there was absolutely no restriction of any kind. Factories can move sugar when they like or where they like. The Government's responsibility was to come to the help of the industry or the merchants whenever difficulty arose. Such a difficulty did arise in the end of February. Realising that the O. & T. R. gives always trouble a plan for the guidance of the industry and the Ministry of Transport was drawn up. Therefore, we gave this help and this plan was made.”

It has already been shown that the difficulties referred to above and said to have arisen in the end of February, about which representation was made by the Chairman of the Indian Sugar Syndicate to the UP Govt. were illusory. The Railways felt that their only concern was to supply as many wagons as were asked for and they could, and to clear off sugar from the factories as soon as they could so that there might be no complaint against them.

Nevertheless having regard to the history of sugar industry given in the introductory portion it is clear that after control the sugar industry was not an entirely independent industry. It became a regulated industry. All the factories of UP and Bihar which produce about 75 per cent. of the total sugar were members of the Indian Sugar Syndicate Ltd. According to the Memorandum of Association of the Syndicate (*vide* Appendix No. 24) one of the objects for which the Syndicate was established was :—

“To pool and release sugar, gur, molasses and by-products of the sugar industry, to allot quotas among the members for the sale thereof, and to fix prices and divide business between and for the benefit of its members and to regulate and control production of sugar and generally to do all things necessary or expedient for the protection and development of the sugar industry and the sugar trade of India and to carry on manufacturing or other business what soever relating to sugar industry.”

The UP and Bihar Governments had withdrawn recognition from the Syndicate in April, 1940. The recognition was restored again in August, 1940 under the joint communique dated August 3, 1940 (*vide* Appendix No. 25) issued by both the Governments on the following conditions :—

- “(a) The Syndicate, which will have its headquarters at Kanpur would be a selling Organisation only for the purpose of regulating sales within the limits of prices and quotas fixed by Government and will confine its activities exclusively to the marketing of sugar.
- (b) The Chairman of the Syndicate will be elected by its Board of Directors but his election will be subject to Government approval. The Executive Officer of the Syndicate will be nominated by the Governments of UP and Bihar.
- (c) A Sugar Commission would be set up by the two Governments, which would be the final authority subject to Government control, on all matters connected with the production and sale of sugar and other matters regarding cane prices etc. which are referred to it by these Governments, provided that the Syndicate will have the right at all times to approach the Government direct. The Chairman and Members of the Commission will be officials appointed by the two Governments, and they will be *ex-officio* Members of the Board of Directors of the Syndicate.
- (d) The basic prices and quotas for individual mills will be fixed by the Syndicate but will be subject to the approval of the Commission.”

The industry was thus regulated by the Indian Sugar Syndicate Ltd. and the UP and Bihar Governments.

The Sugar Commissioner who was the Chairman of the Commission used to control the movement of sugar. The Syndicate managed to get rid of his control in July, 1948. In their D.O. No. 1634-S/XVI-33/1948 dated July 2, 1948 (*vide* Appendix No. 26) the UP Government wrote to the Sugar Commissioner “As sugar movements are linked with Gur, Khandsari and foodgrain movements which are dealt with by the Government in the Food & Civil Supplies Department, it will be more convenient to deal with them from here in consultation with the Indian Sugar Syndicate.”

It does not appear that anything was done by the Government, to regulate and control the movement of sugar.

The basic quota for individual mills were to be fixed by the Syndicate subject to the approval of the Sugar Commission but during the year 1948-49 the Syndicate made releases of 80 per cent quota of the year's production till 28th June, 1949 without the Sugar Commission's sanction.”

The Sugar Commissioner in his letter No. 3195-SC/XI/Stat/90-49/50 dated September 12, 1950 (*vide* Appendix No. 27) states “the net supplies of sugar should be so distributed as to cause “no glut” or “no scarcity” in any part of the country as far as possible at any time of the year and leaving at the end a small margin for any exigency. These considerations, I think should normally govern the releases of quotas at different times of the year.”

By controlling and regulating quotas of releases in this manner the movement of sugar would be automatically controlled and regulated.

It seems clear, that in the case of the Central Government there was no statutory duty but it is obvious that if an inter-cession is made on the representation of an interested party, there is an obligation to make sure that such

representation is well-founded and that remedy devised has relation to actual facts and past experience. Apart from this there is the genreal obligation to be vigilant of the public interests. The Indian Sugar Syndicate and the Sugar Commission had the statutory authority to regulate supply and distribution. This presupposes that such authority should be exercised having regard to all the interests concerned-producers' as well as consumers. There was also the supervising authority of the Governments of UP and Bihar. Obviously in such an arrangement, the direct responsibility lies only with the Indian Sugar Syndicate and the Sugar Commission; the roles which other parties mentioned above have played is only indirect.

In this connection one other fact is also significant and note worthy. Some industrialists approached the Government of India (*vide* Confidential *Appendix No. 1.) in November, 1948 that the sugar price should not be fixed at a low figure of Rs. 28/8/- and should be fixed at about Rs. 30/- against the then current price of Rs. 35/7/-. They warned the Government of India that if the prices were not raised, the prices would rise from July onward.

The Government did not accede to this demand of the Industrialists for any increase in the price. The Government did not seem to have considered the warning of scarcity or high prices also as serious.

The abnormal and excessive releases and despatches started thereafter since January, 1949.



सत्यमेव जयते

CHAPTER II

THE ALLEGATION THAT SUGAR INTENDED FOR CONSUMPTION IN INDIA WAS IN FACT MOVED INTO PAKISTAN ON AN APPRECIABLE SCALE DURING 1949.

There was no ban on export of sugar from India to Pakistan from the 16th June, 1948 onwards until 2nd September, 1949 when the Central Government Freezing Order came into force. Pakistan levied an import duty on sugar before 1st March, 1949. The rate of duty was £ 30 per ton. The price of sugar in India during 1947-48 was Rs. 35/7/- per maund at the factory gate. If the Pakistan import duty is added to this price the price became so excessive that it was obviously unprofitable to move Indian sugar through the custom barriers after payment of import duty. Upto 1st March, 1949, therefore it would have paid the traders on both sides of the Indo Pakistan border to move sugar from India to Pakistan if they could manipulate evasion of the import duty. After 1st March, 1949 the Pakistan Government abolished the import duty on Indian sugar. At the same time the price of Indian sugar was reduced under instructions from the Government of India to Rs. 28/8/- Between 1st March, 1949 and 1st September, 1949 therefore sugar could have moved between India and Pakistan without let or hindrance. But sugar being a rationed and controlled article in Pakistan open movement of sugar through proper channels or custom barriers would not have been profitable.

The Director of Commercial Intelligence and Statistics reported to the Government of India on an enquiry made by the Hon'ble Minister for Food and Agriculture that about 3 thousand tons of sugar were exported to Pakistan from March, 1949 to July, 1949 as detailed below :—

Month	Units of Quantity	By sea		By land		(Value in '000 Rs.) Total	
		Quantity	Value	Quantity	Value	Quantity	Value
March . . .	Tons	12	17	691	647	703	664
April . . .	"	1	1	823	700	824	701
May . . .	"	..	..	565	494	565	494
June . . .	"	1	1	545	460	546	461
July . . .	"	..	..	663	454	663	454
Total . . .	"	14	19	3287	2755	3301	2774

The Chief Controller of Exports informed the Ministry of Agriculture in December, 1949 that only 76 tons of sugar had been exported to Pakistan

during the period December, 1948 to October, 1949. The month-wise details are as follows :—

<i>Month</i>	<i>Tons</i>
December, 1948	38
January, 1949	21
February, 1949	3
March, 1949	12
April, 1949	1
May, 1949 . . . . .	..
June, 1949	1
July, 1949 . . . . .	..
August, 1949 . . . . .	..
September, 1949 . . . . .	..
October, 1949 . . . . .	..
	<hr/> 76 <hr/>

The Committee asked for information regarding the export of sugar from India to Pakistan from the following Government sources :—

- (1) Controller of Exports.
- (2) (i) Central Board of Revenue, (ii) Customs Collectorates and (iii) Customs Offices at land barriers.
- (3) Director General of Commercial Intelligence and Statistics.
- (4) Railways.

The Committee asked for similar information from sugar factories and merchants.

From the figures supplied by the Central Board of Revenue (Table No. 1) it has been found that 6614.15 tons of sugar were exported from India to Pakistan during November, 1948 to October, 1949. These figures include exports through all the ports and the land barriers namely, Calcutta, Bombay, East Punjab and West Bengal etc. The figures of exports obtained from the customs office at Amritsar are also given therein for the purpose of comparison with the figures reported by the Central Board of Revenue regarding Delhi Circle. The total export from Amritsar barrier comes to 204.21 tons whereas export of sugar from the whole of Delhi Circle works out to 519.25 tons. It is interesting to note that in the monthly break-up of these two sets of figures Amritsar reports a higher figure in November than recorded by Delhi Circle. The Delhi figures appear to be incorrect because Amritsar barrier is also included in Delhi Circle. Similarly a comparison of the figures of Collector of Central Excise and Land Customs, Calcutta and the figures reported by the

Deputy Chief Controller of Imports and Exports for Calcutta shows a number of discrepancies, as will appear from table given below :

Export of Sugar to East Pakistan during 1948-49 from Calcutta.

Month	As reported by Deputy Chief Controller of Imports, & Exports Calcutta	As reported by Collector of Central Excise & Land Customs, Calcutta
1	2	3
	(Qty. in tons)	(Qty. in tons)
November, 1948	296.15	292.15
December, 1948	458.10	348.10
January, 1949	299.90	299.90
February, 1949	400.40	361.45
March, 1949	637.90	625.90
April, 1949	724.25	705.25
May, 1949	461.60	461.60
June, 1949	454.55	435.50
July, 1949	403.30	344.30
August, 1949	213.90	184.90
September, 1949	223.75	223.75
October, 1949	1.45	1.45
TOTAL	4,575.25	4,284.25

The Government departments whose figures have been discussed are not Statistical Organisations. Their figures are meant for purpose of revenues or other administrative purposes peculiar to each department. The Chief Central Statistical Organisation for the figures of trade of different commodities is being controlled by the Director General of Commercial Intelligence and Statistics and the figures of export of sugar to Pakistan obtained from this Organisation are given in Table II.

As reported by Director General of Commercial Intelligence and Statistics 6606.05 tons of sugar were exported from India to Pakistan from November, 1948 to October, 1949 out of which 6418.05 tons of sugar were exported to Pakistan by land and 188 tons by sea. The maximum export of sugar took place in April, 1949 by land. Export of sugar was of the order of 550 tons to 665 tons during the period from May to July. Export of sugar decreased in August but even in August, 359.8 tons were exported to Pakistan. Even in September when there was a ban on sugar export from India 391.05 tons of sugar were sent to Pakistan. The export was practically nil in October, 1949. Thus so far as the recorded figures of export of sugar to Pakistan are concerned it is clear that 6606.05 tons of sugar were exported from India to Pakistan during November, 1948 to October, 1949.

Despatch of Sugar to towns situated on the Indo-Pakistan border.—Both the industry and the trade have alleged that about 50,000 tons of sugar were exported to Pakistan. The Chairman of the Indian Sugar Syndicate pointed out on 29th September 1949 in his speech delivered at a meeting of the Indian Sugar Syndicate that sugar was despatched to towns situated on the Indo-Pakistan border during 1948-49 in much larger quantities than during 1947-48. In his opinion all the quantity of sugar that had gone to such towns could not be consumed locally. It must, therefore, have gone over to the other side of Pakistan.

The Indian Sugar Syndicate, factories, merchants and Railways have furnished information regarding despatch of sugar to towns situated on the Indo-Pakistan border (*vide* Appendices Nos. 31, 32 and 33). The information supplied by the Syndicate shows only the quantities sent to border towns by UP and Bihar factories.

Appendix No. 34 has been prepared from the information received from the Railways. It shows the number of wagons, the railways by which and the towns to which they were despatched in 1948-49. The capacity of an OTR wagon is 10 tons and that of EIR and EPR wagon each 20 tons. The quantity despatched by the Railways has been calculated according to the number of wagons and their capacity.

Table No. III shows the total quantity, sent by trade and factories as intimated by them in their replies to questionnaires, and by UP and Bihar factories (as intimated by the Syndicate) to border Provinces (Assam, West Bengal and East Punjab) in 1947-48 and 1948-49.

According to table No. III 21,449 tons were sent by trade and factories to Assam in 1948-49 as against 7,445 in 1947-48, 68,175 tons to West Bengal in 1948-49 as against 43,939 in 1947-48 and 49,253 to East Punjab in 1948-49 as against 16,594 in 1947-48. According to the figures supplied by the Sugar Syndicate as regards sugar despatched by UP and Bihar factories to these Provinces 16,456 tons were despatched to Assam in 1948-49 as against 5895 in 1947-48, 80,921 to West Bengal in 1948-49 as against 40,145 in 1947-48 and 75,746 tons to East Punjab in 1948-49 as against 45,722 in 1947-48. According to the Syndicate the total quantity of sugar sent in 1948-49 by UP and Bihar factories to West Bengal and East Punjab is greater than that intimated by trade and factories. The reason for this difference is that all the factories have not furnished information on this point. According to the figures supplied by the Syndicate as mentioned in table 81,361 tons were sent by only UP and Bihar factories in 1948-49 more than in 1947-48. According to the information supplied by trade and factories 70,899 tons were sent in 1948-49 more than in 1947-48.

According to Appendix No. 34 prepared from the Railway figures it will be noticed that 1,38,490 tons were sent in 1948-49 to the Eastern and Western border towns in the border Provinces, while according to the information supplied by trade *vide* Appendix No.33 and factories *vide* Appendix No. 32 in their replies to questionnaires only 1,38,173 tons were sent in 1948-49.

A comparative table No. 4 has been prepared from the figures supplied by the factories, trade, Syndicate and the Railways. It shows the Eastern and Western border towns, the quantity sent to them by trade and factories and by UP and Bihar factories (as intimated by the Syndicate) in 1947-48 and 1948-49 and the quantity despatched by Railways as shown by the Railway figures in 1948-49. The Railway figures for 1947-48 are not available. It

will be noticed from this table that much more sugar was sent to several towns in 1948-49 than in 1947-48 and while no sugar was sent to some towns in 1947-48 an appreciable quantity was sent to them in 1948-49.

The increase in despatch of sugar to some of the towns in 1948-49 as compared to that in 1947-48 was more marked as will appear from the following statement prepared from table No. 4 referred to above :—

Name of towns	Trade & Factory		Quantity despatched in 1948-49 as shown by Railway in Table No. 4
	1948-49	1947-48	
	Tons	Tons	Tons
1. Kantapukar	85655	40922	84370
2. Abhor	684	141	940
3. Amritsar	6089	5113	10390
4. Baba Bakala	506	4	Not available.
5. Bikaner	2185	1356	1120
6. Faridkot	271	60	Not available.
7. Fazilka	436	115	620
8. Ferozpur	2274	558	2360
9. Gurdaspur	531	177	1050
10. Jandiala	357	45	220
11. Jodhpur	3248	1492	1850
12. Khem Karan	233	10	420
13. Kot Kapura	1395	361	680
14. Malout	1409	222	2460
15. Moga	3122	1005	4180
16. Patti	761	307	2130
17. Pathankot	6469	2723	7310
18. Sujangarh	256	71	80
19. Taran Tarn	64	Nil	1770
TOTAL	1,15,945	54,682	1,21,950

According to the figures supplied by Trade & Factories 1,15,945 tons and according to the Railway figures 1,21,950 tons were sent to these towns in 1948-49 while only 54,682 tons were sent to them in 1947-48. The Railway figures are in general larger because they give despatches by all the Factories while the Trade & Factories' figures give despatches made by only those Merchants and Factories which have sent replies to the questionnaire.

It is thus clear that sugar was sent to border towns in 1948-49 in much larger quantity than in 1947-48.

The following statement which has been prepared from the replies to questionnaire gives the despatches of sugar to Saurashtra by factories and trade during 1947-48 and 1948-49 :—

Despatch to Saurashtra		1947-48 (Tons)	1948-49 (Tons)
(i) By factories—			
UP	. . . . .	10008	20662
Bihar	. . . . .	30	771
Punjab	. . . . .	475	1112
PEPSU	. . . . .	..	222
TOTAL (BY FACTORIES)		10513	22767
(ii) By trade—			
(a) Amritsar Merchants	. . . . .	Nil	Nil
(b) Calcutta Merchants	. . . . .	301	44
(c) Bombay Merchants	. . . . .	1502	1149
(d) Kanpur Merchants	. . . . .	7311	25290
TOTAL (BY TRADE)		9914	26483

It will be seen from this table that factories despatched 22767 tons of sugar to Saurashtra in 1948-49 as against 10513 tons in 1947-48. So far as despatches of sugar by merchants to Saurashtra are concerned they despatched 26483 tons in 1948-49 as against 9114 in 1947-48. These figures relate only to 247 merchants who replied to this question of the Committee's questionnaire. Out of the above quantity despatched in 1948-49, 76 Kanpur Merchants alone despatched 25290 tons in 1948-49 as against 7311 despatched by them in 1947-48. It will, therefore, be seen that in 1948-49 the factories sent about double the quantity in 1948-49 as compared to that sent by them in 1947-48, whereas the merchants sent in 1948-49 about three times the quantity sent by them in 1947-48. The Committee also obtained information from the Collector of Customs Bombay regarding the despatch of sugar from coastal ports of Bombay to Saurashtra. He has informed the Committee (*vide* Appendix No. 35) that 8129 tons of sugar were despatched in 1948-49 from Bombay to Saurashtra. It appears that in 1948-49 much more quantity was sent than in 1947-48.

The only question that now remains is whether the consumption in these places increased in 1948-49. There is general impression that during 1948-49 the prices were reduced and therefore consumption should have increased. This question has been discussed by the Tariff Board in their report. They came to the conclusion that consumption in India which was of the order of 9.20 lakh tons in 1947-48 could not have increased sufficiently to absorb the available supply of 12.76 lakh tons in 1948-49. The consumption, therefore could not have increased by more than 25 per cent. Whatever the position may be it can be stated without any fear of contradiction that any increase in consumption that might have taken place, cannot, however, wholly explain the increase in despatches. It is only to be presumed that this extra quantity of sugar must have gone to places situated in Pakistan where there was demand for sugar.

The Committee has been informed by the West Bengal Government (*vide* letter No. 11434 FD, dated the 21st October, 1950 given in Appendix No. 36) that the general information of the Government was that sugar in large quantities moved by boat to Pakistan but there could be no recorded evidence of such movement as at that time there was no ban thereon.

It is impossible, however, to say precisely how much sugar went in an unauthorised manner, between 1st March and 1st September, 1949 and how much was smuggled prior to 1st March, 1949. Judging from the despatches to the border towns, one cannot resist the conclusion that a substantial quantity did go in this manner.



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TABLE I
Quantity of sugar exported to Pakistan during the period November 1948 to October 1949

Month	CALCUTTA		BOMBAY		SHILLONG		DELHI		TOTAL		Arrit sug Source: Export Trade (Con- troller
	By land	By sea	By land	By sea	By land	By sea	By land	By sea	By land	By sea	
Source : Ministry of Finance (Revenue Division)											
Tons	Tons	Tons	Tons	Tons	Tons	Tons	Tons	Tons	Tons	Tons	Tons
November 1948	442.15	..	..	106.90	129.35	..	167.00	..	808.50	106.90	188.72
December 1948	348.10	..	..	31.15	231.75	..	15.55	..	595.40	31.15	6.91
January 1949	299.90	..	..	21.15	106.30	..	117.45	..	523.65	21.15	0.52
February 1949	361.40	..	..	0.50	46.75	..	0.35	..	408.50	0.50	0.32
March 1949	625.90	..	..	..	64.90	..	20	..	691.00	..	0.19
April 1949	705.25	..	..	0.60	117.85	..	184.25	..	1007.35	0.60	0.27
May 1949	461.60	..	..	..	103.50	..	12.05	..	577.15	..	0.03
June 1949	435.55	..	..	0.50	109.80	..	22.20	..	567.55	0.50	0.04
July 1949	344.30	..	..	..	171.50	..	0.15	..	515.95	..	7.16
August 1949	184.90	..	..	..	174.75	..	0.05	..	359.70	..	0.05
September 1949	223.75	..	..	..	167.25	..	..	..	391.00	..	0.01
October 1949	1.45	..	..	..	6.15	..	..	..	7.60	..	..
TOTAL	4434.25	..	..	160.80	1499.85	..	519.25	..	6453.35	160.80	209.21

TABLE II

Quantity of Sugar (in tons) exported to Pakistan during the period November 1948 to October 1949 (Source : Department of Commercial Intelligence and Statistics).

Month	By land	By Sea	Total
November, 1948	658.50	111.00	769.50
December, 1948	595.35	38.00	633.35
January, 1949	523.65	21.00	544.65
February, 1949	408.55	4.00	412.55
March, 1949	691.00	12.00	703.00
April, 1949	1,007.40	1.00	1,008.40
May, 1949	565.15	..	565.15
June, 1949	545.35	1.00	546.35
July, 1949	664.60	..	664.60
August, 1949	359.85	..	359.85
September, 1949	391.05	..	391.05
October, 1949	7.60	..	7.60
TOTAL	6,418.05	188.00	6,606.05

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TABLE No. III.
Despatch of Sugar to States situated on Indo-Pakistan Border during 1917-48 and 1948-49.

States	1947-48				Total	1948-49				Total	Despatch by UP and Bihar factories as intimated by Syndicate
	As intimated by			Total		As intimated by			Total		
	Trade	Factories	(Tons)			Trade	Factories	(Tons)			
1	2	3	4	5	6	7	8	9			
	(Tons)	(Tons)	(Tons)	(Tons)	(Tons)	(Tons)	(Tons)	(Tons)			
21. Assam	1,348	6,097	7,445	5,895	74,892	16,567	21,449	18,456			
West Bengal	12,997	30,942	43,939	40,145	20,115	48,060	68,175	80,921			
East Punjab	354	16,240	16,594	45,722	135	49,118	49,253	56,746			
TOTAL	14,699	53,279	67,978	91,762	25,132	1,13,745	1,38,877	1,53,123			
	Total Supply by										
	Trade and factories			Syndicate factories (U. P. and Bihar)							
	(Tons)			(Tons)							
1948-49	138,877			173,123							
1947-48	67,978			91,762							
	Difference			70,899			81,361				

Despatch of Sugar to Towns situated on Indo-Pakistan Border during 1947-48 and 1948-49.

Despatch of Sugar in 1947-48 and 1948-49

Towns	1947-48 As intimated by		Total	Despatched by U. P. & Bihar factories as intimat- ed by syndicate	1948-49 As intimated by		Total	Despatched by U. P. & Bihar factories as intimat- ed by syndicate	Quantity despatched in 1948-49 as shown by Railways in table No. 6.
	Trade	Factories			Trade	Factories			
	1	2	3	4	5	6	7	8	9	10
Eastern Border									
1. Azimganj	10	65	75	..	Nil	168	168	..	180
2. Barharwa	20	5	25	..	51	39	90	..	80
3. Beldanga	Nil	Nil	Nil	..	8	Nil	8	..	N.A.
4. Hora	Nil	Nil	Nil	..	36	Nil	36	..	N.A.
5. Jiaganj	Nil	Nil	Nil	..	10	Nil	10	..	N.A.
6. Kanta Pukur	11,443	29,479	40,922	16,254	25,172	60,483	85,655	45,643	84,370
7. Kasim Bazar	261	190	451	..	922	385	1,317	..	N.A.
8. Motigara	Nil	Nil	Nil	..	476	Nil	476	..	N.A.
9. Nimbta	46	15	61	..	43	147	190	..	80
10. Rarnkistepur	Nil	Nil	Nil	..	Nil	39	39	..	N.A.
11. Reinand Gaon	Nil	Nil	Nil	..	Nil	10	10	..	N.A.

Towns	1947-48 As intimated by		Total	Despatched by U.P. & Bihar factories as intimat- ed by syndicate	1948-49 As intimated by		Total	Despatched by U.P. & Bihar factories as intimat- ed by syndicate	Quantity despatched in 1948-49 as shown by Railways in table No. 6.
	Trade	Factories			Trade	Factories			
I	2	3	4	5	6	7	8	9	10
18. Hindolkot	Nil	Nil	Nil	..	10	20	30	..	140
19. Jalalabad	Nil	15	15	..	Nil	45	45	..	280
20. Jandiala	Nil	45	45	..	4	353	357	..	220
21. Jodhpur	375	1,117	1,492	..	273	2,975	3,248	..	1,850
22. Khem Karan	Nil	10	10	..	9	224	233	..	420
23. Kot Kapura	Nil	361	361	..	30	1,265	1,395	..	650
24. Malout	Nil	222	222	..	53	1,356	1,409	..	2,460
25. Moga	Nil	1,005	1,005	..	73	3,049	3,122	..	4,090
26. Mukerian	Nil	143	143	..	Nil	152	152	..	N.A.
27. Patti	Nil	307	307	276	76	685	761	650	2,130
28. Pathankot	Nil	2,723	2,723	..	75	6,364	6,469	..	7,310
29. Qadian	Nil	20	20	..	Nil	40	40	..	80
30. Ramgarh	Nil	10	10	..	Nil	100	100	..	N.A.

31. Sodulpur	11	80	91	..	Nil	164	164	..	120
32. Sujangarh	20	51	71	..	12	244	256	..	80
33. Suratgarh	Nil	Nil	Nil	..	10	80	90	..	20
34. Talwandi	Nil	264	264	..	Nil	334	334	..	100
35. Tarantarn	Nil	Nil	Nil	316	64	Nil	64	858	1,750
SUB-TOTAL (2)	487	14,054	14,541	3,330	1,195	30,745	31,940	7,333	41,340
TOTAL	12,724	44,897	57,621	19,584	28,342	93,292	1,21,634	52,976	1,26,130

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CHAPTER III

THE ALLEGATION THAT SEVERAL FACTORIES DESPATCHED SUGAR IN BREACH OF THE FREEZING ORDER OF THE U. P. GOVERNMENT ON 26TH AUGUST, 1949 AND OF THE CENTRAL GOVERNMENT ON 2ND SEPTEMBER 1949.

The Government of U. P. issued notification No. 2666-S/XIIC, dated 25th August, 1949 (copy in Appendix No. 37) and ordered that sugar of every variety and grade produced by the factory during 1948-49 crushing season which may be in stock on the close of business on August 25, 1949 in any godown or other place of storage or custody should be sold only to persons or organisations nominated by the Provincial Governments in this behalf at a price based on Rs. 29/1/- per maund inclusive of additional excise duty for D-24 Grade in usual packing and loading wagons.

The Government of India in the Ministry of Agriculture issued notification No. SV-101(8)/49, dated the 2nd September, 1949 and another notification No. SV-101(9)/49, dated 2nd September, 1949 copies in Appendix 38. Under these notifications the Government of India took over all stocks of sugar with factories whether sold or unsold lying in factory premises or outside at the ex-factory prices fixed as per schedule given in the notification. The Government of India also delegated to Provincial Governments powers to take over stocks from dealers where and when necessary and distribute them at such prices as might be fixed and to such agencies as might be decided upon by them. The Sugar factories were asked to furnish to the Central Government full details of the stocks of sugar held by them within 10 days from the commencement of this order, i.e., by 12th September, 1949.

The Committee has considered in connection with the despatches in breach of these freezing orders also the question whether the entire stock with the factories was frozen or not.

Quantity Frozen.—The Committee collected information from Excise Department, Railways, factories and all the Governments. Enquiry was made from the Excise Department to show the opening and closing stocks on 26th August and 2nd September 1949 and also the despatches by each factory from 26th August to 31st October, 1949 ; from the railways to show despatches during the same period and from the Central and U. P. Governments to show how much sugar was frozen by them. Table No. I given at the end of the Chapter which has been prepared from the information received from the Excise Department and U. P. Government shows the quantity frozen, the date on which it was frozen and the stock in the factory according to the Excise Department on the dates of freezing.

It will appear from this table that the total quantity frozen by the U. P. Government was 80836·9 tons.

Similarly Table No. 2 which is given at the end of the Chapter has been prepared from the figures supplied by Excise Department and Central Government. It will appear from this table that the quantity frozen was 113677·5 tons.

Table No. 3 given at the end of the Chapter shows the quantity of sugar in factories' outside godowns on 2-9-1949 and quantity frozen as intimated by the Ministry of Agriculture. According to this table there were 50·1 tons in the godowns of Pilibhit factory ; 27·2 tons in Sakhautitanda godowns and 375·8 tons in Walchandnagar factory's godowns which were not frozen. In Malinagar factory's godowns there were 531·8 tons out of which only 454·2

tons were frozen, in Belapur factory's godowns 54.2 tons out of 101.4 tons were frozen. The total quantity frozen was 2499.8 tons and not frozen 577.9 tons.

The Central Government gave option to the State Governments to freeze the stocks with trade as and when they thought proper. Only some of the State Governments froze the stock. The following statement will show the Governments which froze, the quantity frozen by them and the date on which it was frozen :—

Serial No.	Name of the State	Date of freezing	Quantity in tons
1.	Uttar Pradesh	1-9-49	1,067
2.	Madhya Pradesh	5-9-49	28.9
3.	West Bengal	7-9-49	4,304
4.	Orissa	8-9-49	1,140
5.	Punjab	14-9-49	505
6.	Madhya Bharat	7-9-49	400
7.	Rajasthan	5-9-49	1,325
8.	Saurashtra	22-9-49	338
9.	Bhopal	16-9-49	57
10.	Mysore	2-9-49	42
11.	Hyderabad	8-9-49	2,020
12.	Rewa	Not intimated.	32
13.	PEPSU	Do.	618
14.	Himachal Pradesh	6-9-49	41
15.	Assam	5-9-49	57
16.	Panthpiploda	Not intimated.	112
17.	Vindhya Pradesh	Do.	68
18.	Bombay	4-11-49	5
TOTAL . . . . .		..	12,421

The Bombay Government was the last to freeze. They froze on 4th November, 1949. The reason given by them for freezing so late is that the freezing of stocks with all dealers without any steady flow of supplies would have resulted in a far greater hardship to consumers than was likely to occur by leaving the retail dealers to continue distribution from the stocks available with them, although it was realised that in many cases sale would be

effected at comparatively high prices. They, therefore, only controlled the distribution of the stocks with the wholesalers by allowing them to issue reasonable quantities every day until such time as the stocks from the sugar factories allotted to the State arrived. It was only after these stocks had arrived and decisions had been taken by the Government to arrange distribution of these stocks through Government controlled ration shops that they issued the Bombay Sugar (Regulation of Disposal and Acquisition) Order, 1949, on 4th November 1949 delegating powers to the Director of Civil Supplies, Bombay and the Collectors to freeze sugar stocks with merchants, etc., in Bombay Rationed Area and districts respectively. It may be mentioned that as reported by Collector of Customs, Bombay (*vide* Appendix No. 35) 380 tons went to Saurashtra and 475 tons to other places from Bombay in September, 1949. It shows that the control over the stock with the dealers was not effective.

The other Governments did not freeze stock with the trade on the ground that the stock with the trade was meagre and if the stock with the trade had been frozen there would have been acute scarcity, as it was not possible to introduce the rationing system immediately. The following statement will show the stocks with the trade on 2-9-1949 and the quantity frozen :—

Town	Stock held on 2-9-1949	Quantity frozen in tons
Amritsar (15)	103	40
Bombay (67)	4,526	485
Calcutta (58)	3,592	128
Kanpur (100)	433	48
Madras (3)	47	150
Others (29)	723	109
TOTAL (272)	9,424	960

This statement has been prepared from the replies to the questionnaire received from 272 merchants. It will be seen from this statement that on 2nd September, 1949, 9424 tons were in the hands of the merchants out of which 960 tons were frozen. It will further be noticed that in Bombay out of 4,526 tons with 67 merchants 485 tons, and in Calcutta out of 3,592 tons with 58 merchants only 128 tons were frozen.

It may also be mentioned here that the Central Government's freezing order did not apply to factories in Rajasthan, Madhya Bharat, PEPSU, Saurashtra, Mysore, Hyderabad, Travancore and Cochin. The list of the factories in these States is given below :—

Madhya Bharat.

1. The Jaora Sugar Mills, Jaora.
2. The Gwalior Sugar and Co. Ltd., Dabra.
3. The Jiwaji Rao Sugar Co., Ltd., Dalauda. (Mandsaur).
4. The Maharani Parvati Sugar Mills, Ltd., Sarangpur (Dewas State).
5. Seth Govindram Sugar Mills, Mehidpur Road.

Rajasthan.

1. The Bikaner Industrial Corporation, Ltd., Sri Ganganagar (Bikaner State).
2. The Mewar Sugar Mills, Ltd., Bhupalsagar.

Travancore.

1. Pamba River Factory, Tiruvalla (Travancore).

Hyderabad.

1. The Nizam Sugar Factory Ltd., Shakarnagar.

Mysore.

1. Mysore Sugar Co., Ltd., Mandya.

Saurashtra.

1. Bhavnagar Sugar Mills, Ltd., Dhola Junction (Bhavnagar State).

PEPSU.

1. Jagjit Sugar Mills, Co., Ltd., Phagwara (Kapurthala).
2. The Mahalaxmi Sugar Mills, Co., Ltd., Jagatjitnagar (Kapurthala).

Kashmir.

1. Shree Yuvraj Sugar Mills, Ltd., Ranbir Singh Pura (Jammu and Kashmir).

Despatches of sugar in breach of freezing orders.—As regards despatches in breach of the Freezing Orders information was collected from Railways, Excise Department and the Central and State Governments. The Central Government made certain allocations to State Governments from the frozen stocks, under which the State Governments got sugar from the factories from which they had been allowed to get. The Ministry of Agriculture have supplied information as to how much sugar was allowed to be sent by the factories but the information about how much sugar and when it was sent by the factories under the orders of the Government is not complete. The Railways have supplied information of the supply of wagons to each factory from which an idea could be formed about the despatches but it also does not give complete information because the railways have given information only about those despatches which were made by rail. The Excise Department has supplied information as regards all the despatches made by each factory from 26th August to 31st October, 1949. Information was collected from the factories also as regards the despatches made by them during this period. The factories were asked to send documentary evidence or in the absence thereof an affidavit with their statements showing that the despatches made by them were authorised.

The U. P. Government's Order remained in force from 26th August to 1st September 1949 (inclusive) and thereafter the Central Government's Freezing Order came into force.

Table No. 4 which is given at the end of the Chapter and has been prepared from the information supplied by Railways shows the despatches made from 26th August to 1st September by U. P. factories and their explanations therefor.

Table No. 5 has been prepared from the figures supplied by the Excise Department and the factories as regard despatches and the explanations of the factories for their despatches.

It will be noticed from these tables that there was no despatch in breach of the U. P. Government's freezing order.

As regards the despatches from 2nd September, 1949 to 31st October 1949 the Excise Department and the factories have supplied details of the fortnightly despatches made by the factories. Railways have supplied information of daily despatches but as stated above the information supplied by Railways is not complete. A statement (Appendix No. 39) has been prepared from the information supplied by Excise Department, Railways and the factories which shows fortnightly despatches during the period 2nd September to 31st October 1949. The factories have sent documentary evidence in some cases and affidavits in others to show that the despatches made by them were authorised and not in breach of the Freezing Order. The Committee has found that some despatches made by Pilibhit Phalton and Walchandnagar factories were in breach of the Freezing Order of the Central Government.

Pilibhit factory despatched 473 bags or about 48 tons of sugar in the second fortnight of October, 1949. The factory has stated that this sugar was out of the production of the previous year, *i.e.*, 1947-48 and it was lying in city godowns. Under the Central Government's Order the production of 1947-48 and stocks lying in outside godowns were also frozen. This despatch was, therefore, in breach of the Freezing Order of the Central Government.

According to Railway figures Phalton factory despatched one wagon containing 100 bags of sugar on 6th September, 1949 but the factory did not show any despatch in its statement. A reference was made to both the Railway and the factory. The factory has denied having despatched this wagon but the railway has given the number of the wagon and the names of sender and consignee. The sender and consignee of this wagon are "Phalton Sugar Works". There is no reason to disbelieve the evidence of the Railway. This despatch was in breach of the Freezing Order.

The Committee has been informed by a reliable source (*vide* Confidential Appendix No. 2) that Walchandnagar Industries Limited managed to clear 900 bags of sugar from their factory at Walchandnagar on the 4th September, 1949. This despatch was also in breach of the Freezing Order.

TABLE No. I.

Showing quantity frozen under U. P. Government order of 25-8-49, date of freezing and the stock according to Excise Department on the date of Freezing.

Sl. No.	Name of factory	Quantity frozen under U. P. Govt. order	Date of freezing	Stock according to Excise Deptt. at the time and the date of freezing	Remarks
1	2	3	4	5	6
		(Tons)		(Tons)	
1	Seorahi	2003.3	31-8-49	2003.3	
2	Partabpur, Mairwa .	1446	26-8-49	1446	12 bags (1.2 tons) despatched before Freezing are included in Excise and U. P. Govt. figures.
3	Baitalpur	2540.2	Do.	2540.2	
4	Gauribazar	641.8	Do.	642	
5	Deoria	1462.3	Do.	1462.6	
6	Sardarnagar	2468.7	Do.	2468.7	
7	Diamond	1280.2	Do.	1280.2	
8	Ghughli	909.2	Do.	909.2	
9	Siswabazar	569.9	Do.	569.9	
10	Pipraich	181.5	Do.	181.7	
11	Captainganj	1315.2	Do.	1314.5	
12	Khadda	716.8	Do.	716.8	
13	Chitauni	976.5	27-8-49	976.5	
14	Lakshmiganj	715.0	26-8-49	715.0	
15	Ramkola	1482.0	28-8-49	1482.0	
16	Ramkola (Maheshwari Khetan).	1229.9	26-8-49	1229.9	
17	Padrauna	1372.0	Do.	1372.0	
18	Kathkuiyan	732.6	"	732.0	
19	Pharenda	60	"	68	Factory had 8 tons of sugar of 1947-48 production which was not frozen.
20	Burhwal	1239.6	"	1239.6	
21	Biswan	1411.3	"	1411.4	
22	Munderwa	454.7	"	1454.7	

1	2	3	4	5	6
23	Basti . . .	644.8	26-8-49	644.8	
24	Waltergranj . .	211.7	"	211.7	
25	Babhnan . . .	1001.1	"	1001.2	
26	Nawabganj . . .	1122.8	"	1122.8	
27	Balrampur . . .	372.1	"	372.1	
28	Tulsipur . . .	802.9	"	802.9	
29	Jarwal Road . .	680.5	"	680.5	
30	Khalilabad . . .	300.9	"	276	Frozen stock included 25.2 tons of non-commercial sugar.
31	Hargaon . . .	3287	"	3287	
32	Golagokarannath .	4470.9	"	4470.9	
33	Pilibhit . . .	4010	"	3961	Stock frozen includes 49 tons frozen in outside godowns.
34	Baheri . . .	1540.2	"	1540.2	
35	Neoli . . .	1264.3	"	1261.2	Difference not included in Exoise stock; as it was not in non-duty paid godowns in the factory.
36	Aira . . .	3299.1	27-8-49	3299.1	
37	Kashipur . . .	217.4	28-8-49	217.4	
38	Saharanpur . . .	1008	26-8-49	1008	
39	Modinagar . . .	990.1	"	990.1	
40	Rohanakalan . . .	1418.3	"	1418.3	
41	Deoband . . .	1301	"	1301	
42	Mansurpur . . .	1600	"	897.8	702 tons were frozen from outside godowns.
43	Mawana . . .	50.8	27-8-49	50.8	
44	Khatauli . . .	2215.5	26-8-49	2215.5	
45	Daurala . . .	1198	"	1198	
46	Meerut . . .	1136.3	"	1136.4	
47	Mohiuddinpur . .	523.8	"	523.8	
48	Sakhotitanda . .	1820	"	1803	One wagon containing about 18 tons, which had been booked, loaded and sealed was outside the premises of the factory but S. D. M. included it in the stock frozen.

1	2	3	4	5	6
49	Hardoi . . .	1110.9	26 8.49	1110.9	
50	Maholi . . .	1444	„	1437	Difference not included in Exoisc stock as it was not in non-duty paid godowns in the factory.
51	Bareilly . . .	544	„	544	
52	Rosa . . .	496.2	„	496.2	
53	Bijnor . . .	2226.9	5.9.49	2226.9	
54	Seohara . . .	3847.8	2.9.49	3847.8	
55	Doiwala . . .	908.9	Sugar stock was already under attachment.	Not intimated.	
56	Dhampur . . .	462.3	2.9.49	462.3	
57	Lhaksar . . .	1514.2	26.8.49	1514.2	
58	Amroha . . .	117.6	27.8.49	117.8	
59	Raja-ka-sahaspur .	686.8	„	686.8	
60	Simbhaoli . . .	1114.4	26.8.49	1114.4	
61	Shahganj . . .	1080	„	1048.1	Stock frozen included about 32 tons of jelly sugar.
62	Barabanki . . .	688.4	„	678	Stock frozen includes about 10 tons of unmarketable sugar.
63	Motinagar (Masoda) .	403.8	„	366.5	Stock frozen includes 37.3 tons frozen in outside godown.
64	Shamli . . .	2295	„	2336.7	Exoisc figure includes 42 tons of 1947-48 production which was not frozen.
65	Bhatni . . .	199.4	„	(Not intimated)	
	Total .	80836.8	—	78252.6	

TABLE No. II

Showing quantity frozen under Central Government Order dated 2nd September, 1949 and the closing stock on 2nd September, 1949 according to Central Excise Department.

Sl. No.	Name of factory	Quantity frozen under Central Govt. Order	Closing stock in 2-9-49 according to Central Excise Department	Remarks
1	2	3	4	5
		(a) UTTAR PRADESH		
1	Seorahi . . .	2003.3	2003.3	
2	Partabpur. . .	1444.8	1444.8	
3	Baitalpur . . .	2540.2	2540.2	
4	Gauribazar . . .	641.4	642	
5	Deoria . . .	1462.7	1462.6	
6	Sardarnagar . . .	2468.7	2468.7	
7	Diamand . . .	1280.2	1280.2	
8	Ghugli . . .	909.2	909.2	
9	Siswabazar . . .	569.9	569.9	
10	Pipraich . . .	181.5	181.7	
11	Captainganj . . .	1315.2	1314.5	
12	Khadra . . .	716.8	716.8	
13	Chhitauni . . .	976.5	976.5	
14	Lakshmiganj . . .	715.0	715.0	
15	Ramkola . . .	1450.2	1450.1	
16	Ramkola (Maheshwari Khetan). . .	1229.9	1229.9	
17	Padrauna . . .	1372.0	1372.0	
18	Kathkuiyan . . .	732.6	732.6	
19	Anandnagar, Pherenda	106.9	68	Difference not included in Excise stock as it was not in non-duty paid godowns in the factory.
20	Burhwal . . .	1239.6	1239.6	
21	Biswan . . .	1411.3	1411.4	

1	2	3	4	5
22	Munderwa . . .	454.7	454.6	
23	Basti . . .	555.5	555.5	
24	Walterganj . . .	211.4	211.7	
25	Babhnan . . .	1001.1	1001.2	
26	Nawabganj . . .	1122.8	1122.8	
27	Balrampur . . .	372.1	372.1	
28	Tulsipur . . .	802.9	802.9	
29	Jarwal Road . . .	680.5	680.5	
30	Khalilabad . . .	300.9	276	Frozen stock included about 25 tons of non-commercial sugar.
31	Hargaon . . .	3231.6	3231.6	
32	Golagokaramnath . . .	4470.9	4470.9	
33	Pilibhit . . .	3961.0	3961.0	
34	Baheri . . .	1540.2	1540.2	Frozen stock includes 3 tons of sugar which was actually seized by the Excise Deptt.
35	Neoli . . .	1264.3	1261.2	
36	Aira . . .	3299.1	3299.1	
37	Kashipur . . .	217.4	217.4	
38	Saharanpur . . .	1005.5	1005.5	99 bags or about 10 tons were issued on 3-9-49 for manufacture of biscuits under the orders of D. M. and later adjusted as per order of the Central Government.
39	Modinagar . . .	980.1	990.1	
40	Rohanakalan . . .	1418.3	1418.3	
41	Deoband . . .	1255.1	1255.0	
42	Mansurpur . . .	897.8	897.8	
43	Mawana (Barhni) . . .	50.8	50.8	
44	Khatauli . . .	2215.5	2215.5	
45	Daurala . . .	1192.2	1192.2	
46	Meerut . . .	1136.4	1136.3	
47	Mohiuddinpur . . .	523.8	523.8	
48	Sakhotitanda . . .	1802.5	1893	Difference not included in Excise stock as it was not in non-duty paid godowns in the factory.
49	Mahloi . . .	1367.3	1360.3	
50	Hardoi . . .	1110.9	1110.9	

1	2	3	4	5
51	Bareilly	498.7	498.7	
52	Rosa	496.2	496.2	
53	Binor	2226.9	2226.9	
54	Seohara	3847.8	3847.8	
55	Doiwala	908.9	Not intimated.	
56	Dhampur	460.8	462.3	Excise figure includes 1.5 tons of Tohri and Dust sugar.
57	Lhaksar	1514.2	1514.2	
58	Amroha	117.8	117.8	
59	Raja-ka-Sahaspur	686.8	686.3	
60	Simbhaoli	1114.6	1114.6	
61	Raza	279.4	279.4	
62	Buland	1180.8	1180.8	
63	Shahganj	1048.1	1048.1	
64	Barabanki	688.4	678	Stock frozen includes about 10 tons of unmarketable sugar.
65	Motinagar (Masoda)	367.0	366.5	
66	Shamli	2336.7	2336.7	
67	Bhatni	199.4	Not intimated.	
	Total	81183.0	80001.5	

(b) BIHAR

1	Gaya	668.5	668.5	
2	Bihta			
3	Dahnianagar	1752.5	1752.7	
4	Buxar			
5	Bikramganj	928.2	928.2	
6	Lohat	1663.5	1663.7	
7	Hassanpur Road	2072.7	2074	
8	Sakri	1277.6	1278	
9	Motihari	1759.7	1758	
10	Majhulia	331.0	327.3	Difference not included in Excise stock as it was not in non-duty paid godowns in the factory.
11	Chanpatia	834.5	834.6	
12	Lauriya	1412.0	1411.9	Factory had despatched 42.6 tons of sugar on 3-9-49 before the receipt of the freeing order.
13	Righa	318.5	361.1	
14	Naraipur Bagaha	543.5	543.6	
15	Narkatiaganj	857.7	858	
16	Harinagar	1125.2	1125.2	
17	Ryam	1335.8	1335.7	
18	Sugauli	556.2	577.4	About 22 tons of sugar were despatched on 3-9-49 before freezing.
19	Samastipur	871.2	871.2	
20	Motipur	639.9	639.9	
21	Bara Chakia	896.1	892.9	Difference not included in Excise stock as it was not in non-duty paid godowns in the factory.
22	Indian Siwan	114.2	114	
23	New Savan, Siwan	525.6	556.2	About 30.3 tons were despatched on 3-9-49 before freezing.
24	Mirganj, Hathua	1512.8	1512	
25	Sitalpore	26.9	26.9	
26	Sidhwalia	769.1	769.1	
27	Marhowrah	1257.0	1237.7	Difference not included in Excise stock as it was not in non-duty paid godowns in the factory.

1	2	3	4	5
28	Sasa Musa . . .	3.2	3.2	
29	Gopalganj, Harkua . .	1039.5	1039.7	
30	Pachrukhi . . .	511	511	
	Total . .	25604.6	25671.8	

(c) OTHER STATES

(i) *Bombay*

1	Malinagar . . .		
2	Shripur . . .	79.8	79.8
3	Walchandnagar . . .	278.2	228.3
4	Ravalgaon . . .	245.3	245.2
5	Harigaon . . .	42.4	42.4
6	Tilaknagar . . .	148.5	148.6
7	Belvandi . . .	96.5	96.5
8	Sakarwadi . . .	119.7	105
9	Lakshmiwadi . . .	14.1	14.1
10	Puntamba . . .		
11	Phalton, Sakharwadi . .	41.2	86.6
12	Kolhapur . . .	5.8	5.1
13	Krishna-Kittur . . .	35.2	35.1
14	UgarKhurd . . .	5.1	5.1
15	Sehore . . .	101.4	101.4
	Total . .	1213.2	1193.2

Difference not included in Excise stock as it was not in non-duty paid godowns in the factory.

Do.

Excise figure includes 30 tons of raw sugar. Factory had also despatched 15 tons on 3-9-49 before freezing.

(ii) *Madras*

1	Anakapalle . . .	8.4	8.3
2	Etikappaka . . .	1.8	1.8
3	Bobbili . . .	35.9	35.5
4	Seethanagaram . . .	640.8	Nil.
5	Vuyyuru . . .	99.0	99.0
6	Samalkot . . .	536.4	
7	Nelikuppam . . .	3085.2	3085.2
8	Hospet . . .	24.1	24.1
9	Pugalur . . .	912.1	861
	Total . .	5354.9	4126.2

The stock was frozen from duty paid godown.

Do.

Difference not included in Excise stock as it was not in non-duty paid godowns in the factory..

(iii) *West Bengal*

1	Plassey . . .	229.7	229.7
	Total . .	229.7	229.7

(iv) *East Punjab*

1	Abdullapur . . .	49.3	..
	Total . .	49.3	..

(v) *Orissa*

1	Rayagadha . . .	42.8	42.8
	Total . .	42.8	42.8
	Grand total . .	113677.5	111265.2

TABLE No. III

Quantity of sugar in factories outside godowns and quantity frozen therein under the Central Government Freezing Order of 2-9-49

S. No.	Name of factory	Qty. of sugar in factories outside godowns on 2-9-49 as intimated by the factories	Qty. frozen as intimated by the Ministry of Agriculture
UTTAR PRADESH		Tons	Tons
1	Siswabazar . . . . .	..	14.9
2	Munderwa	133.6	133.6
3	Meerut	202.0	202.0
4	Mansurpur . . . . .	..	702.7
5	Pilibhit	50.1	..
6	Sakhotitanda	27.2	..
		<u>412.9</u>	<u>1,053.2</u>
BIHAR			
1	Samastipur . . . . .	..	0.5
2	Motihari	141.4	297.5
3	Majhowalia	126.3	126.3
4	Morhowarah . . . . .	..	20.2
5	Pachrukhi . . . . .	..	132.0
6	Sidhwalia . . . . .	..	56.6
7	Hathua . . . . .	..	11.3
		<u>267.7</u>	<u>644.4</u>
BOMBAY			
1	Malinagar	531.8	454.2
2	Sholapur (Shripur) . . . . .	..	9.5
3	Belapur	101.4	54.2
4	Phalton	37.8	53.4
5	Ugar Khurd . . . . .	..	39.5
6	Walchandnagar	375.8	..
		<u>1,046.8</u>	<u>610.8</u>
MADRAS			
1	K. C. P. (Vuyyuru)	41.2	54.8
2	Sitanagram . . . . .	..	136.6
		<u>41.2</u>	<u>191.4</u>
	Grand Total .	1,768.6	2,499.8

TABLE No. IV

Explanation for despatches of sugar from U. P. Sugar Factories from 26th August, 1949 to 1st September, 1949 as intimated by the Railways in the face of the U. P. Government Freezing Order of the 25th August, 1949.

S. No.	Name of factory	Total No. of wagons despatched from 26-8-49 to 1-9-49	Remarks
1	Baitalpur . . .	8*	7 wagons loaded before receipt of order and despatched with the permission of S. D. O. Deoria.
2	Gauri Bazar . . .	7	
3	Deoria . . .	4*	
4	Sardarnagar . . .	11*	
5	Captainganj . . .	4*	
6	Chhitauni . . .	9*	
7	Ramkola . . .	6*	
8	Padrauna . . .	11*	
9	Kathkuiyan . . .	2	
10	Basti . . .	7	Wagons were loaded on 25-8-49 but due to certain technical mistake in the Railway documents, they were despatched on 29-8-49 with a new R/R.
11	Pilibhit . . .	36*	Were despatched under U. P. Government Order.
12	Manpore-Nagaria . . .	3*	These were loaded on 25-8-49 and despatched under permission of district Supply Officer.
13	Deoband . . .	4*	
14	Rosa . . .	2	
15	Bijnor . . .	7*	
16	Seohara . . .	36*	
17	Dhampur . . .	6*	
18	Simbhaoli . . .	2*	
19	Shamli . . .	2843 (Mds.)*	

*These despatches were made before the receipt of the freezing orders.

TABLE No. V

Explanations for despatches of sugar from U. P. factories from 26th August to 1st September 1949 as reported by the Central Excise Department in the face of U. P. Government Freezing Order of 25th August 1949

S. No.	Name of Factory	Quantity despatched from 26-8-49 to 1-9-49 as reported by		Remarks
		Excise Deptt.	Factory	
1	2	3	4	5
		Tons.	Tons.	
1	Seorahi	141.40	141.40*	(This quantity appears to have been despatched out of the stock frozen under the U. P. Government Order.)
2	Partabpur Mairwa	1.20	1.20	
3	Baitalpore	87.87	87.87*	
4	Gauribazar	101.20	101.20*	61.00 tons were despatched before the receipt of the freezing order, 30.30 tons under U. P. Government order and 1.01 tons, out of 1947-48 production were issued for gate sale.
5	Deoria	41.40	41.40*	
6	Sardarnagar	120.70	120.69*	
7	Pipraich	0.50	0.50	
8	Captainganj	41.40	41.40*	
9	Chhitauni	106.05	106.05*	
10	Ramkola	92.30	92.30	
11	Anandnagar	10.10	10.10*	
12	Basti	94.35	94.35*	
13	Khalilabad	0.10	0.10*	
14	Hargaon	87.45	87.46*	Out of this despatch Government had frozen 280 bags while in transit.
15	Golagokarannath	2.65	2.62*	
16	Neoli	46.95	46.96*	
17	Aira	27.90	27.87*	
18	Kashipur	34.35	34.34	
19	Modinagar	1.00	1.00*	
20	Rohanakalan	7.25	7.27*	
21	Deoband	87.15	87.16*	
22	Khatauli	61.60	61.61*	
23	Daurala	70.70	70.70*	
24	Hardoi	1.00	1.00	One ton was sent for gate sale but not sold and was later adjusted in the gate sale quota allowed by the Central Government.
25	Maholi	58.60	58.58@	
26	Bareilly	45.45	45.45@	
27	Rosa	27.15	27.15	Two wagons were under load when the freezing order was received. They were released under orders of D. M. Shah, jahanpur.

*Despatches were made before the receipt of the freezing orders

@Despatches were made under the order of the U. P. Government.

1	Name of Factory	Quantity despatched from 26-8-49 to 1-9-49 as reported by		Remarks
		Excise Deptt.	Factory	
2	3	4	5	
28	Bijnor	149.00	148.97*	
29	Seohara	777.50	777.39*	
30	Dhampur	137.05	137.05*	
31	Lhaksar	0.10	0.10*	
32	Amroha	0.50	0.50*	
33	Raja-ka-Sahaspur . .	134.73	134.73*	
34	Simbhaoli	41.90	41.90*	
35	Metinagar (Masoda) . .	12.82	12.82*	
36	Shamli	94.55	94.53	

*Despatches were made before the receipt of the freezing orders.

@ Despatches were made under the orders of the U. P. Government.



CHAPTER IV

**THE ALLEGATION THAT MANY FACTORIES OR THEIR SALES
AGENTS CHARGED HEAVY PREMIA OVER THE FIXED
PRICE DURING JULY-AUGUST, 1949.**

During 1948-49 there was no statutory control over the price of sugar. Control on sugar existed only upto 7th December, 1947. On decontrol, the price of sugar, as agreed to between the Government and the Indian Sugar Syndicate was fixed by the Syndicate at Rs. 35/7/- per maund of sugar. Before sugar was decontrolled the control price of sugar was Rs. 20/14/- per maund. The details of the control price and the price after decontrol have already been discussed in the report of the Indian Tariff Board on the continuance of protection to the Sugar industry. During 1948 there was a general feeling that the price of sugar and sugarcane had been fixed at a very high level. The Provincial Governments agreed in September, 1948 to reduce the price of sugarcane to Rs. 1-10 per maund in U. P. and Rs. 1-13 per maund in Bihar for the season 1948-49. As a result of the reduction in sugarcane price and in the profit margin allowed to the sugar factories in the calculation of the sugar price, the price of sugar had to be reduced. The factories, however, represented that the high price sugar which was lying at that time in the stocks of the factories should also be taken into consideration while fixing the price of sugar. Government allowed Re. 1/- per maund as a compensation for it. The price of sugar was fixed at Rs. 28/8/ per maund for D-24.

The Committee enquired from the Indian Sugar Syndicate, Sugar merchants, sugar factories and sugar merchants' associations in different important towns about the prices charged by the factories during July and August 1949. According to the information supplied by the Indian Sugar Syndicate from which table No. 1 (given at the end of the chapter) has been prepared only 13 factories charged premium. The table gives the minimum and maximum premium charged by these factories in each week of July and August, 1949. The following statement shows the minimum and maximum premium charged by each of these factories in July and August :

	Name of Factory	Minimum Rs. A. P.	Maximum Rs. A. P.
1	Lohat	0 12 6	6 12 10
2	Motihari	0 10 0	6 3 0
3	Purtabpore	0 11 9	1 3 3
4	Gauri Bazar	0 14 6	1 14 6
5	Deoria	1 0 1	1 1 3
6	Burhwal	0 13 6	6 12 6
7	Walterganj	0 9 6	0 10 0
8	Balrampur	0 10 6	0 11 9
9	Tulsipur	0 10 6	0 15 9
10	Baheri	0 6 0	0 9 0
11	Maholi	0 13 0	0 13 0
12	Amroha	0 11 10	0 11 10
13	Shamli	2 14 6	5 14 6

A detailed statement, Table No. 2 given at the end of the chapter has been prepared from the factories' replies to the questionnaire. It appears from this table that 8 factories in U. P. and 4 factories in Bihar, one in Madras and three in Bombay charged higher prices than the fixed price, Nellikupam factory in Madras charged a constant premium of rupees -/14/7. The premia charged by other factories varied from time to time. The names

of these factories and the minimum and maximum premium charged by them is given below :

	Name of factory	Minimum			Maximum		
		Rs.	As.	P.	Rs.	As.	P.
U. P.							
1	Baitalpur	0	0	6	5	8	0
2	Deoria	0	0	6	1	1	6
3	Burhwal	0	2	0	2	0	0
4	Basti	0	6	0	4	0	0
5	Mansurpur	4	6	6	7	14	6
6	Bareilly	0	12	0	6	0	0
7	Rosa	4	13	8	5	5	8
8	Shamli	1	3	0	5	13	6
BIHAR							
9	Motihari	0	1	0	6	14	0
10	Majhaulia	0	1	6	0	4	0
11	Righa	1	0	6	1	1	6
12	Sitalpore	0	1	0	0	9	6
BOMBAY							
13	Changdeo	3	3	9	7	14	6
14	Ugar Khurd	5	8	0	10	12	4
15	K. Kittur	0	3	0	3	13	4

According to the information collected from the merchants' replies to the questionnaire a much larger number of factories than shown by the Syndicate or admitted by the factories in their replies to the Questionnaire charged premium. Appendix No. 40 has been prepared from the merchants' replies. It shows the factories which charged premium and the weekly minimum and maximum premium charged by them during the months of July-August, 1949, from the merchants of different towns. Table No. 3 prepared from it (Appendix No. 40) shows the minimum and maximum premium charged by different factories from merchants of different towns during these two months. The following statement shows province-wise factories which charged premium, the minimum and maximum premium charged and the different markets from which it was charged :—

States in which the factories are situated	Markets from whose merchants premium was charged						Other markets taken together
	Amrit-sar	Kanpur	Calcutta	Madras	Bombay	Others	
<i>Bihar</i>							
Minimum . . . . .	..	0 2 0	0 8 0	..	0 5 9	0 9 6	0 0 0
Maximum . . . . .	..	4 10 0	9 11 6	..	7 5 0	1 5 10	9 11 6
<i>U. P.</i>							
Minimum	0 4 6	0 2 0	0 9 0	Nil.	0 7 1	0 1 9	0 0 0
Maximum	2 8 0	7 0 0	8 7 0	Nil.	9 11 0	6 3 10	9 11 8
<i>West Bengal</i>							
Minimum . . . . .	..	..	3 3 0	..	..	..	..
Maximum . . . . .	..	..	8 7 0	..	..	..	8 7 0
<i>Punjab</i>							
Minimum	1 7 6	..	..	..	..	..	1 7 6
Maximum	2 11 6	..	..	..	..	..	2 11 6

*Other include thana, Bhavnagar, Howrah, Jullundur, Agra, Muthra, Aligarh, Nagpur, etc.

It will be noticed from this table that Bihar factories charged premium upto Rs. 9/11/6 and U. P. upto Rs. 9/11/8, West Bengal upto Rs. 8/7/- and Punjab upto Rs. 2/11/6.

Since the replies from the Merchants were received late, the allegations could not be put specifically to the factories which had denied charging of premium for purposes of refutation. However, the admission by some of the factories does lead to the inference that in some other cases also premia must have been charged though the fact is denied by the factories. The actual extent of it cannot be determined otherwise than by close inspection of accounts in each case and must, therefore, remain a matter of speculation.



सत्यमेव जयते

TABLE I

Penia (Per md.) Charged by Sugar Factories (in respect of sales or Sugar) over and above the price fixed by the Indian Sugar Syndicate and as approved by the Sugar Commission for U. P. and Behar during period—July to August 1949

Source : Syndicate Returns

Sl. No.	Name of factories	Min. Max.	July 1949				August 1949				
			1st Week Rs. A. P.	2nd Week Rs. A. P.	3rd Week Rs. A. P.	4th Week Rs. A. P.	1st Week Rs. A. P.	2nd Week Rs. A. P.	3rd Week Rs. A. P.	4th Week Rs. A. P.	
1	2	3	4	5	6	7	8	9	10	11	12
1	Lohat	Min. Max.	0 12 6 0 14 6	0 12 6 1 0 6	0 12 6 1 2 6	0 12 6 1 2 6	1 1 9 3 7 0	2 11 0 6 5 0	6 0 8 6 2 0	6 12 10 6 12 10	
	Mothhari	Min. Max.	N.S. N.S.	0 10 0 1 3 0	0 13 8 1 7 1	0 13 9 1 6 3	1 0 0 2 3 0	1 0 9 3 11 3	N.S. N.S.	1 0 0 6 3 0	
3	Purtabpur	Min. Max.	N.S. N.S.	1 3 3 1 3 3	1 3 3 1 3 3	1 3 3 1 3 3	0 11 9 1 3 3	N.S. N.S.	N.S. N.S.	0 11 9 0 11 9	
4	Gauri Bazar	Min. Max.	1 0 3 1 0 3	0 14 6 0 14 6	N.S. N.S.	0 15 6 0 15 6	N.S. N.S.	0 14 6 0 14 6	1 0 3 1 8 3	1 14 6 1 14 6	
5	Deoria	Min. Max.	N.S. N.S.	N.S. N.S.	1 0 1 1 1 3	N.S. N.S.	N.S. N.S.	N.S. N.S.	1 0 10 1 0 10	N.S. N.S.	
6	Burhwa.	Min. Max.	0 13 6 1 3 3	1 4 11 1 4 11	1 5 10 1 14 0	2 4 0 2 9 4	1 12 6 2 4 6	5 4 6 6 12 6	N.S. N.S.	N.S. N.S.	

1	2	3	4	5	6	7	8	9	10	11	12
7	Wakergunj	Min. Max.	0 9 6 0 9 6	0 9 6 0 9 6	N.S. N.S.	N.S. N.S.	N.S. N.S.	0 9 6 0 9 6	0 10 0 0 10 0	0 10' 0 0 10 0	
8	Bahampur	Min. Max.	0 11 9 0 11 9	0 11 9 0 11 9	0 11 6 0 11 6	0 11 6 0 11 6	N.S. N.S.	0 10 6 0 11 6	0 11 6 0 11 6	0 11 6 0 11 6	
9	Tulsipur	Min. Max.	0 13 6 0 13 6	0 13 6 0 13 6	0 14 3 0 14 3	0 14 3 0 14 3	N.S. N.S.	0 10 6 0 12 0	0 15 9 0 15 9	0 15 9 0 15 9	
10	Baheri	Min. Max.	0 6 0 0 6 0	0 6 0 0 9 0	0 6 0 0 6 0	N.S. N.S.	N.S. N.S.	N.S. N.S.	N.S. N.S.	N.S. N.S.	
11	Maholi	Min. Max.	N.S. N.S.	N.S. N.S.	0 13 0 0 13 0	0 13 0 0 13 0	N.S. N.S.	0 13 0 0 13 0	0 13 0 0 13 0	0 13 0 0 13 0	
12	Amroha	Min. Max.	N.S. N.S.	0 11 10 0 11 10	N.S. N.S.	N.S. N.S.	N.S. N.S.	N.S. N.S.	N.S. N.S.	N.S. N.S.	
13	Shemli	Min. Max.	N.S. N.S.	N.S. N.S.	N.S. N.S.	N.S. N.S.	3 10 2 3 10 2	3 10 2 4 5 9	N.S. N.S.	2 14 6 5 14 6	

N. S.—No sale during the week.

TABLE II

Premia (Per mt.) Charged by Sugar Factories (in respect of sales of sugar) over and above the Prices fixed by the Indian Sugar Syndicate and as approved by the Sugar Commission for U. P. and Bihar during period—July to August 1949.

Source : Factories' Replies to Questionnaires.

Sl. No.	Name of factories	Min. Max.	July 1949				August 1949			
			1st week Rs. A. P.	2nd week Rs. A. P.	3rd week Rs. A. P.	4th week Rs. A. P.	1st week Rs. A. P.	2nd week Rs. A. P.	3rd week Rs. A. P.	4th week Rs. A. P.
1	2	3	4	5	6	7	8	9	10	11
1	United Provinces Baltapur . . .	Min. Max.	0 0 6 0 1 0	0 0 6 0 0 6	0 0 6 0 0 6	0 0 6 0 0 6	0 0 6 0 0 6	0 4 0 3 0 0	3 0 0 5 8 0	0 0 6 5 0 0
2	Deoria . . .	Min. Max.	0 0 6 0 1 6	0 1 6 0 6 0	0 0 6 1 1 6	0 0 6 0 6 6	N.P. ..	0 1 6 0 5 0	0 6 6 0 5 0	0 0 6 0 1 6
3	Burhwal . . .	Min. Max.	0 2 0 0 4 0	0 4 0 0 4 0	0 4 0 0 12 0	1 8 0 2 0 0	0 4 0 1 12 0	N.A. N.A.	N.A. N.A.	N.A. N.A.
4	Basti . . .	Min. Max.	0 6 0 1 4 0	N.A. N.A.	2 0 0 4 0 0	N.A. N.A.	N.A. N.A.	N.A. N.A.	N.A. N.A.	N.A. N.A.
5	Mansurpur . . .	Min. Max.	N.A. N.A.	N.A. N.A.	N.A. N.A.	N.A. N.A.	4 6 6 6 2 6	5 12 0 6 10 6	N.A. N.A.	6 0 0 7 14 6
6	Bareilly . . .	Min. Max.	N.A. N.A.	N.A. N.A.	0 12 0 0 12 0	1 3 9 1 7 8	1 8 0 6 0 0	5 2 7 5 6 6	N.A. N.A.	N.A. N.A.
7	Rosa . . .	Min. Max.	N.A. N.A.	N.A. N.A.	N.A. N.A.	N.A. N.A.	N.A. N.A.	4 13 8 5 5 8	4 13 8 5 5 8	4 13 8 5 5 8
8	Shamli . . .	Min. Max.	N.A. N.A.	N.A. N.A.	N.A. N.A.	N.A. N.A.	3 10 3 4 5 9	5 13 6 5 13 6	N.A. N.A.	1 3 0 5 1 6

1	2	3	4	5	6	7	8	9	10	11
	<i>Bihar</i>									
1	Motihari D27	Min. Max.	0 4 0 0 4 0	.. ..	0 3 9 0 1 0	0 4 0 0 4 0	.. 0 1 0	.. 0 4 0	.. 0 1 0	.. 0 1 0
	D28	Min. Max.	0 1 0 0 4 0	.. ..	0 4 0 0 4 0	0 10 0 0 10 0	0 3 6 0 3 6	0 4 0 3 14 0	0 1 0 6 14 0	0 1 0 6 14 0
2	Majhulia	Min. Max.	.. ..	0 1 6 0 1 6	0 1 6 0 1 6	0 1 6 0 3 3	.. 0 1 6	0 1 6 0 4 0	0 1 0 0 4 0	
3	Rigba D27	Min. Max.	.. ..	0 1 6 0 1 6	.. ..	0 1 6 0 1 6	....	....	....	....
	D28	Min. Max.	.. ..	.. ..	0 3 0 1 1 6	.. ..	0 3 0 0 3 0	0 3 0 0 3 0	....	....
4	Sita'pore	Min. Max.	.. ..	.. ..	.. ..	.. ..	.. ..	0 1 0 0 9 6	....	....
	<i>Madras</i>									
1	Nellikuppam	Min. Max.	.. ..	.. ..	.. ..	.. ..	0 14 7 0 14 7	0 14 7 0 14 7	0 14 0 0 14 0	....
	<i>Bombay</i>									
1	Puntamba (Changdeo)	Min. Max.	3 3 9 5 6 8	.. ..	4 11 0 4 11 0	.. ..	.. ..	5 6 8 7 14 16	....	....
2	Ugarkhurd	Min. Max.	.. ..	5 8 0 10 12 4	9 7 3 9 7 3	....	....	....	....	....

Sold at prices approved by the South
Indian Sugar Mills Association.

TABLE III
Permia charged by the Sugar Factories during July-August, 1949.
Source : Merchants' replies to Questionnaire.

(In Rupees).

Name of Factories.	Merchant Group											
	Amritsar		Kanpur		Calcutta		Madras		Bombay		Others	
	Minimum	Maximum	Minimum	Maximum	Minimum	Maximum	Minimum	Maximum	Minimum	Maximum	Minimum	Maximum
1	2	3	4	5	6	7	8	9	10	11	12	13
1. Bikaner	2 10 0	1 1 10	1 4 0	..	..	..	..	..	..
2. Lohat	0 14 6	1 4 0	3 7 0	..	..	..	..	..	..
3. Sakri	1 0 9	3 4 6	..	..	..	..	..	..
4. Motilal	0 12 0	7 13 0	..	..	..	..	..	..
5. Majhauia	0 12 9	2 0 0	..	..	..	..	..	..	0 11 3	1 4 3
6. Champatia	0 2 0	1 8 0	..	..	..	..	..	..	..	0 12 6
7. Bagaha	0 10 0	3 4 0	..	..	..	..	..	..	..	..
8. Narkatiaganj	8 2 6	..	..	..	..	..	..
9. Harinagar	0 8 0	8 11 0	..	..	0 5 9	5 4 6	0 9 6	0 13 11
10. Ryam	1 6 3	9 3 6	..	..	..	..	..	..
11. Sugaali	0 11 0	7 12 6	..	..	..	..	..	..
12. Samastipur	0 2 0	2 12 0	0 11 9	4 6 6	..	..	..	..	..	..
13. Motipur	2 13 0	2 13 6	..	..	..	..	..	..
14. Barachukia	0 5 0	1 6 0	0 12 0	9 11 6	..	..	..	..	..	..
15. Indian Siwan	1 5 0	1 14 0	..	0 12 6	..	..	..	..	..	0 15 4
16. New Savan	0 12 4	..	..	..	..	..	1 5 10
17. Hethna	0 5 0	0 8 0	..	..	..	..	..	0 3 8	..	..
18. Sidhwaia	7 13 6	..	..	..	..	..	..

CHAPTER V.

**THE CIRCUMSTANCES UNDER WHICH THE PROPOSAL FOR
EXPORT OF 50,000 TONS OF SUGAR WAS MADE IN MAY-
JUNE, 1949 BY SPOKESMEN OF THE INDUSTRY AND
THE CIRCUMSTANCES UNDER WHICH THE
PROPOSAL WAS DROPPED**

Proposal regarding Export of Sugar to Pakistan.—The idea of export of sugar to Pakistan originated from both the industrialists and Ministry of Commerce at about the same time, but with different considerations and under different circumstances.

The industrialists ostensibly thought that there was surplus sugar in the country which could be exported to Pakistan. The Indian Sugar Syndicate thought of exporting Sugar to Pakistan since January, 1949. According to the statement made by Shri Narang, Chairman of the Syndicate before the Committee every body's anxiety was to export sugar at even cut-prices to take away the load from the industry. It was from that point of view, keeping the position of stock in view, that the Government of U.P. had given an additional -/4/- to the Syndicate to enable the Syndicate to export at cut-price and make up the loss from the earning of -/4/- a maund. Nothing seems to have been done till June, 1949 as the Syndicate could not get any buyer. The Syndicate was informed on the 17th June, 1949 that Pakistan was anxious to buy sugar. Sugar was then selling at a discount. In July the discount stopped, and sugar was sold at the Syndicate price. The Chairman, Indian Sugar Syndicate felt that the prices were likely to rise, and if any sugar was exported, the Syndicate might be blamed that prices had gone up because sugar had been exported. He therefore gave up the idea of exporting sugar.

It was in or about June, 1949 that Shri Sri Ram also seems to have taken active steps about it. He communicated his idea to the Ministry of Commerce and discussed it with the Hon'ble Minister of Commerce and also with the Hon'ble Prime Minister and sent a similar suggestion to the Export Advisory Council (*vide* Appendix No. 41). According to him there was a general feeling that there was surplus sugar in the country and India was terribly short of dollars, Pakistan must buy sugar from some dollar area and dollars for Pakistan will have to be found by Great Britain. The Syndicate was also then thinking of exporting sugar as it felt that the stocks could not be consumed in this country. But when towards the end of June or early in July the demand for sugar came up, the Syndicate felt that export was not needed (*vide* Appendix No. 42).

In June, 1949 Mr. U.L. Goswami, I.C.S., then Deputy Secretary to Ministry of Commerce, who had gone to London in connection with the talks on Sterling Balances, telegraphed (*vide* Appendix No. 43) to the Ministry of Commerce reporting that Pakistan representatives had requested U.K. for dollar allocation for purchase of sugar. He also reported that U.K. was not happy about dollar expenditure by Pakistan on sugar and suggested that they should buy from India. Mr. Goswami accordingly enquired telegraphically on the 17th June, 1949 from the Ministry of Commerce if India would be willing to supply sugar to Pakistan and, if so, at what price. At the same time the High Commissioner for India in Karachi also enquired of Mr. Gupta, Ministry of Food (*vide* Appendix No. 44) if Government of India were prepared to supply sugar to Pakistan at about £40 per ton at Karachi. Commerce Secretary wrote to L. Shri Ram (*vide* Appendix No. 45) to help him with the inner knowledge

of the working of the sugar industry in exploring the possibility of exporting sugar to Pakistan. The matter was placed before the Economic Committee of the Cabinet and it was decided to offer *inter-alia* 30,000 tons of sugar to Pakistan through U.K., and their representative in U.K. (Mr. Goswami) was advised accordingly by telegram on the 30th June, 1949.

Shri Sri Ram seems to have communicated his idea of export to the Ministry of Commerce before he was asked on 17th June, 1949 by the Commerce Secretary to help him in exploring the possibility of exporting sugar to Pakistan because as stated earlier his (Shri Sri Ram's) suggestion of export had been considered in the meeting of the Export Advisory Council held on 1st June, 1949.

Since November, 1948, Shri Shankar Lal of Delhi was very anxious for Export of sugar to Pakistan as his company was short of liquid cash (*vide* Appendix No. 46). He therefore approached the Pakistan authorities. On 14th of July, 1949 he wrote to Commerce Secretary (*vide* Appendix No. 47) that the former had been to Karachi where he had gathered that officials of Pakistan Government were prepared to purchase 50,000 tons of sugar at about Rs. 22/- per maund. L. Shankar Lal was informed by the Secretary to the Ministry of Commerce that Export of sugar from India to Pakistan was on the O. G. L. (Open General Licence) and it was, therefore, open to him to enter into any arrangement with the Pakistan Government for import of Indian sugar into Pakistan. The Ministry had also no objection to his communicating either with the Pakistan Government or with the trade in this respect. They were themselves keen that this export should take place and would be prepared to give him any assistance which might be possible.

Shri Shankar Lal wrote to the Chairman, Indian Sugar Syndicate on 25th July, 1949. The Chairman as stated above had already given up the idea of any export to Pakistan. He replied to Shri Shankar Lal on 2nd August (*vide* Appendix No. 48) that no sugar could be exported to Pakistan. He wrote, "

"No sugar can be exported now as it looks that there is going to be a shortage in our own country next year. Market, as you know, is rising and it will not be in the interests of anybody to send sugar outside India and we shall be inviting criticism from all the sides."

Mr. Goswami informed the Ministry of Commerce on 26th July, 1949 (*vide* Appendix No. 49) that Pakistan had purchased 50,000 tons of Cuban sugar from U. K. and was expected to carry through till middle of October. They were, therefore, in no immediate hurry regarding additional supplies.

The rumour about export of sugar to Pakistan spread in the country with the result that the price of sugar began to rise and scarcity of sugar began to be felt. The U. P. Government had issued their Freezing Order on 26th August and the Central Government on 2nd September, 1949. A Press Note (*vide* Appendix No. 50) was issued by the Government of India on 8th September, 1949 :—

"One of the causes that led to the recent sharp rise in sugar price was the rumour about export of substantial quantities of sugar to Pakistan. The view of the industry was that such export should be permitted. No sugar, however, has actually been exported nor have Government any intention to allow export from the stocks available in the country this year which will remain for internal consumption."

In these circumstances the proposal for export of sugar to Pakistan did not materialise and was dropped.

From this resume of the circumstances in which the question of export of sugar to Pakistan was raised and then dropped, it is clear that originally the proposal was made by the industry in its own interest probably under the impression of over-production of sugar having regard to the previous consumption in the country and the carry-over from the previous year. To relieve anticipated rather than real glut, the industry appears to have been prepared to sell at 'cut' price. Shri Sri Ram seems to have taken active steps to push this idea through in about June, 1949 probably because he felt that Pakistan's eagerness to buy sugar should be capitalised, in order to earn more for the industry than was possible under controlled prices in India, although having regard to the figures of releases of quota of sugar from the factories, it should have been clear at that time that there was no surplus with the factories to be exported. In spite of such heavy releases in previous months which could not have been made with an eye on any export proposal but only should have been intended for domestic consumption, the proposal was seriously considered in June and July, 1949 and was dropped only when sugar position was too obviously precarious. If all the sugar released had been consumed in the country, the industry or trade should not have been interested in any export proposal. So far as the industry was concerned, it could not have been interested in export with a view to relieving its stocks because the stocks had already been moved very substantially. Therefore the interest shown in the proposal by interested parties if genuine even as late as June or July, 1949 would demonstrate that either some stocks existed or were believed to have existed from which exports would have been made. On the other hand signs of scarcity had already manifested themselves through heavy releases and a tendency for prices to rise. If the proposals were genuine or bonafide the advocacy of export to Pakistan by persons in the trade or industry could have been made only on the basis that all the quantity released was not being consumed and there was a surplus. In these circumstances, it is possible that stocks had been deliberately kept back for purposes of such export and the attendant scarcity had something to do with it. If however, the motives were different, then since this cry of export, resulted in a scare as well as scarcity prices necessarily rose as the interested parties desired. In either event, one or the other conclusion is in-escapable that either substantial quantity was concealed with a view to exporting to Pakistan and subsequently remained underground or an artificial scarcity was created with a view to pushing up prices. Obviously in such matters opinions can be based on reasonable conjectures rather than on concrete facts. One fact, however, seems clear enough and it is that the proposal of export, if seriously meant, and founded on the knowledge of actual condition, could be related only to a desire to make gains which it was not possible to make in India having regard to the actual demand for and supply of sugar for domestic consumption. Such gains could have been made in two ways (a) selling sugar in Pakistan at remunerative prices or (b) creating an artificial scarcity and pushing up prices in India. We are left to guess which motive actually ruled the men that mattered.

CHAPTER

THE ALLEGATION THAT SUBSTANTIAL STOCKS OF SUGAR WERE MOVED OUT BY THE FACTORIES TO THEIR OWN GODOWNS BEFORE THE CRISIS, THAT LARGE STOCKS WERE MOVED BY THE FACTORIES AND TRADE FROM THE BIHAR FACTORIES DURING THE INTERVAL BETWEEN THE U. P. AND THE CENTRAL GOVERNMENT'S FREEZING ORDERS AND THAT IN JULY—AUGUST (1949) CONSIDERABLE MOVEMENT OF SUGAR BY FACTORIES AND TRADE TOOK PLACE IN VARIOUS DIRECTIONS TO FACILITATE THE SALE AT EXORBITANT PRICES OF SUGAR PURCHASED AT HIGH PREMIA.

This term of reference consists of three allegations, namely :—

- (a) that substantial stocks of sugar were moved out by the factories to their own godowns before the crisis ;
- (b) that large stocks were moved by the factories and trade from the Bihar factories during the interval between the U. P. and the Central Governments Freezing Orders : and
- (c) that in July—August, 1949 considerable movement of sugar by factories and trade took place in various directions to facilitate the sale at exorbitant prices of sugar purchased at high premia.

The point regarding the despatch of sugar by factories to their own godowns situated outside factories will be taken up first.

THE ALLEGATION THAT SUBSTANTIAL STOCKS OF SUGAR WERE MOVED OUT BY THE FACTORIES TO THEIR OWN GODOWNS BEFORE THE CRISIS.

The Committee obtained information from the Syndicate and factories as regards despatch of unsold sugar by the factories to their own godowns situated outside the premises of the factories before the crisis. The Syndicate maintained detailed ledgers of the Sugar Account of the factories which had outside godowns and sent sugar to them. The Committee sent for these ledgers and from them the following statement of monthly despatches from November, 1948 to August, 1949 in respect of U. P. and Bihar factories has been prepared :—

Month	(In Maunds)	
	U. P.	Bihar
November	Nil	Nil
December	8907	2778
January	144625	13177
February	57595	19849
March	92957	12984
April	82301	16039
May	127391	19901
June	165214	8911
July	67431	3596
August	15502	10575
	<hr/> 761923	<hr/> 107840

It will appear from this statement that 869,763 maunds or 31,953 tons of sugar were despatched from November, 1948 to end of August, 1949 by U. P. and Bihar factories to their own godowns.

The factories used to send returns to the Syndicate regarding despatch of sugar to their outside godowns. These returns were sent to the Committee by the Sugar Syndicate. It appears from them that only 37 factories in U. P. and Bihar, out of which 26 are in U. P. and 11 in Bihar, despatched unsold sugar to their own godowns outside their factory premises. Factory-wise details are given in Appendix 51 from which the following statement giving total fortnightly despatches of all the factories in U. P. and Bihar has been prepared :—

Month	U.P. (Tons)	Bihar (Tons)
November	N.A.	N.A.
December	N.A.	N.A.
January, 1949		
1st fortnight	1885	322
2nd fortnight	1969	532
February, 1949		
1st fortnight	895	1439
2nd fortnight	858	435
March, 1949		
1st fortnight	2605	1513
2nd fortnight	2069	1071
April, 1949		
1st fortnight	1871	1402
2nd fortnight	2497	1117
May, 1949		
1st fortnight	3282	1482
2nd fortnight	6374	1116
June, 1949		
1st fortnight	6102	605
2nd fortnight		464
July, 1949		
1st fortnight	1630	112
2nd fortnight	1291	142
August, 1949		
1st fortnight	1203	220
2nd fortnight	23	920
	<hr/>	<hr/>
	35154	12992

Grand Total :—48,146 tons.

Information on this point has also so been collected from the replies to the questionnaire sent by 125 out of 158 factories. The monthly despatches of sugar from November, 1948 to August, 1949 by factories situated in different States are given in the following table —

It will appear from this table that 68,481 tons of sugar were despatched from November 1948 to August, 1949 by U. P. factories, 18659 tons by Bihar factories i.e., 87,140 tons by U. P. and Bihar factories while according to the Syndicate's ledgers only 31,953 tons and according to the factories returns sent to the Syndicate 48,146 tons were despatched. It appears that the ledgers and the factories returns did not contain correct figures. Elsewhere 14,377 tons were despatched by Bombay factories : 9,750 tons by Madras factories : 534 tons by Punjab factories and 402 tons by Bhopal factory. According to the replies sent by the factories 112,203 tons of sugar were sent by them to their own godowns from November 1948 to August 1949. That the Syndicate ledgers were incomplete by more than 60 per cent is a sad commentary on either its efficiency or the assistance it received from its members. There is no doubt that a substantial quantity of production was sent out by factories to their own godowns. The Indian Sugar Syndicate did not seem to know the actual dimensions of these despatches and was not informed by the factories to the extent of about 44 per cent.

MOVEMENT OF SUGAR BY FACTORIES AND TRADE FROM BIHAR FACTORIES DURING THE INTERVAL OF FREEZING ORDERS OF U. P. GOVERNMENT AND CENTRAL GOVERNMENT.

The Committee has collected information from the railway authorities and the Excise Department regarding movement of sugar between 26th August, 1949 and 2nd September, 1949. The information supplied by the Railway authorities is summarised in table No. 1. It appears that 5,700 tons of sugar were moved by rail by the Bihar factories from 26th August to 1st September 1949 both inclusive. This information includes movements only by rail and not by any other means. Out of 29 factories 8 did not move any sugar during this period whereas 21 factories moved quantities of sugar varying from 10 to 610 tons. From the information available from the Excise Department as given in Table No. 2 it has been found that 7,861 tons of sugar were moved from 26th August to 2nd September, 1949. In this connection the Indian Sugar Syndicate has supplied the Committee with the opening stock on 26th August and 2nd September, 1949 of all the Bihar factories (*vide* table No. 3) from which it appears that 7,502 tons of sugar were moved from the Bihar factories, during this period. The estimate of the Indian Sugar Syndicate is short only by 359 tons as compared to the figures given by the Excise Department.

The following statement prepared from the replies of 27 factories out of 29 to the Questionnaire shows that they despatched 8466.4 tons of sugar from 26th August 1949 to 1st September, 1949.

S. No.	Name of factory	Quantity in tons
1	Gaya	20.4
2	Bihta	Nil.
3	Dalmianagar	589.3
4	Bikramganj	343.4
5	Lohat	273.3
6	Hassanpur	537.0
7	Sakri	357.6
8	Motihari	483.9
9	Majhulia	153.8
10	Chanpatia	485.6
11	Lauriya	234.2
12	Righa	218.9

(1)	(2)	(3)
13	Narkatiganj	646.8
14	Ryam	1.6
15	Suguali	217.9
16	Samastipur	376.5
17	Motipur	406.9
18	Barachakia	721.6
19	Indian Siwan	11.6
20	New Savan	238.0
21	Hatkua	466.8
22	Sitalpore	Nil.
23	Sidhwalia	296.5
24	Marhowrah	249.4
25	Sasamusa	Nil.
26	Gopalganj (Harkhua)	236.8
27	Pachrukhi	900.0
TOTAL		8466.4

The difference between these and excise figures is due to the fact that the factories' figures include despatches of sugar from duty paid godowns in the factories which are not included in the Excise figures.

From the information furnished by 271 merchants of Bombay, Calcutta, Kanpur and Madras etc. it has been found that they moved 1974 tons of sugar from Bihar factories from 26th August, 1949 to 2nd September, 1949. The details of the quantity sent by each of these merchants are given in table No. 4. The following statement showing the number of merchants of each major market and the quantity sent by them has been prepared from table No. 4.

Name of Market		No. of merchants	Qty in tons.
I	Amaritsar	26	Nil.]
II	Kanpur	100	394.7
III	Calcutta?	56	1498.5
IV	Madras	2	Nil.]
V	Bombay	65	60.6
VI	Others	22	20.2
		271	1974.0

It may be mentioned that according to the Excise figures 16,974 tons were despatched from Bihar factories in the second fortnight in August, 1949 as against 13,426 tons in the first.

(In wagon loads) :—

Average wagon
capacity=10 tons.

(SOURCE—RAILWAYS)

Sl. No.	Name of destination	August 49				Sept. 49			Total
		26	27	28	29	30	31	1	
1	Guraru . . .	1	..	..	..	..	..	..	1
2	Dalmianagar . .	2	..	2	4	6	6	6	26
3	Motihari . . .	5	14	..	2	8	5	4	38
4	Motipur. . . .	2	6	..	6	6	8	4	32
5	Lauriya . . . .	..	..	..	10	8	2	..	20
6	Sidhwalia	4	..	6	..	4	6	7	27
7	Narkatiaganj . .	8	8	..	10	7	9	8	50
8	Marhowrah . . .	12	10	8	..	..	..	4	34
9	Pachrukhi . . .	..	..	..	..	..	..	7	7
10	Siwan	4	3	..	..	..	4	6	17
11	Hasanpur Road .	12	4	..	14	6	4	3	43
12	Nariapur Bagaha .	4	..	8	..	..	..	..	12
13	Bara Chakia . .	14	14	..	10	7	..	16	61
14	Hathua	14	1	4	..	6	6	6	37
15	Chanpatia . . .	12	12	..	7	3	4	2	40
16	Samastipur . . .	8	4	..	5	6	6	6	35
17	Harinagar	5	4	..	6	1	4	2	22
18	Sugauli	4	..	..	..	9	..	2	15
19	Sakri . . . . .	..	11	..	4	8	1	4	28
20	Rigba	6	..	..	6	..	..	..	18
21	Gopalganj	1	6	..	..	..	2	4	13
									570

TABLE NO. II

Movement of Sugar from Bihar Factories during the interval of Freezing Orders of U. P. and Central Governments. (In tons)

(Source : Central Excise Department)

Serial No.	Name and location of factory.	August, 49				September, 49		Total
		26	27	28	29	30	31	
1	Sekri	11.42	143.56	Nil.	44.44	91.72	15.24	369.31
2	Lohat	1.60	104.10	..	70.80	10.20	66.40	253.20
3	Ryan factory	0.50	..	..	0.50	..	..	1.58
4	Semstipur	78.86	37.81	..	79.50	64.50	60.66	376.43
5	Hasanpur Rd.	122.94	41.55	..	139.21	64.48	40.44	434.90
6	Motipur	83.81	60.66	..	60.66	60.66	80.88	387.11
7	Riga	54.04	..	..	41.62	19.80	18.08	133.54
8	Motihari	41.41	157.49	..	20.50	83.64	99.80	468.90
9	Champeran Co.	168.64	141.54	..	101.10	50.95	92.30	555.64
10	Sgauli	41.11	1.10	..	..	63.45	..	125.35
11	Majhulia	133.76	..	..	..	..	..	133.76
12	Chenpatia	104.10	121.67	..	83.35	50.40	42.54	451.54
13	Lauriya	0.70	..	..	111.91	80.66	20.80	214.07
14	Narkatiaganj	80.82	80.82	..	102.03	117.69	99.10	579.76
15	Hari nagar	59.50	42.98	..	54.35	22.73	42.94	222.45
16	Narainpur	40.61	..	93.64	1.01	1.01	35.15	171.42
17	Guraru . . . . .	..	20.22	..	..	..	0.20	20.42
18	Bihta	Nil.	..	..	..	..	..	..
19	Bikramganj	4.04	15.66	..	33.34	98.99	101.02	320.73
20	Dabhojanagar	3.12	46.76	40.44	88.88	123.65	111.12	488.23
21	Sitalpore	101.02	..	..	80.82	..	..	222.25
22	Matbhaurah	7.27	94.95	258.61	5.15	39.29	413.27	907.38
23	Pachroki	40.41	9.29	..	0.59	..	40.41	153.33
24	New Seven, Sivan . . . . .	..	..	..	..	..	10.91	10.91
25	Indian Sivan . . . . .	..	..	..	..	..	..	..
26	Sidhwalia	42.83	0.60	60.61	..	46.06	60.61	296.57
27	Sasa Musa	30.82	70.71	..	..	5.03	19.17	176.24
28	Gopalganj	106.26	51.66	40.44	10.11	60.66	61.15	395.99
29	Hathua . . . . .	..	..	..	..	..	..	..
Total		1,359.59	1,243.08	493.74	1,127.97	1,155.57	1,389.18	7,861.06

TABLE NO. III

Opening stock of Sugar on 26-8-49 in Bihar factories

SOURCE :—Indian Sugar Syndicate.

(Unit-Mauuds)

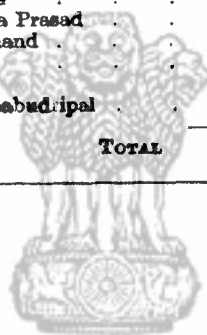
Sl. No.	Name of Factory	Opening stock on	
		26-8-49	2-9-49
1	Gaya	19,303	18,198
2	Dalmianagar	59,288	51,69
3	Bikramganj	33,888	25,267
4	Ryam	36,187	36,143
5	Samastipur	33,413	23,766
6	Hasanpur Road	67,730	56,452
7	Barrah	29,565	29,565
8	Motihari	61,028	48,263
9	Majhaudia	15,859	12,898
10	Champatia	33,476	22,721
11	Narkatiaganj	38,737	23,329
12	Harinagar	37,263	31,193
13	Sitalpur	778	732
14	Marohowrah	40,389	37,089
15	New Savan	20,768	17,699
16	Shidwalia	44,875	29,941
17	Harkua	34,752	29,953
18	Hathua	53,855	44,871
19	Bagaha	19,393	18,704
20	Sakri	44,580	34,799
21	Lohat	54,405	47,514
22	Motipur	57,217	29,092
23	Rigba	15,791	12,155
24	Sugauli	20,531	15,718
25	Laurya	50,677	44,726
26	Pachrukhi	38,616	17,506
27	Indian Siwan	3,406	3,109
TOTAL		9,65,720	7,61,661
			Difference 2,04,059

Total amount of sugar moved by Bihar Factories during 26-8-49 to 1-9-49 = 2,04,059 +
Mds. or say 7,502 tons.

TABLE NO. IV

Despatch of sugar by trade from Bihar factories during the period 26th August to 2nd September, 1949.

Name of the Merchant.	Quantity despatched in bags.
I. Anritsar Group	Nil.
II. Kanpur Group.—	
1 M/s. Ugarchand Gajanand	400
2 M/s. Pars Ram Parumal	2,703
3 M/s. A. H. Bhawindiwala	800
III. Bombay Group.—	
1 M/s. Ratanji Virpal and Co.	200
2 M/s. Parasram Parumal	400
IV. Calcutta Group.—	
1 M/s. Santosh Kumar Sreemany	200
2 M/s. Haaaji Shaikh Mohd. Hussain Mohd. Jan.	205
3 M/s. Haralalka Bros. Ltd.	110
4 M/s. Nafar Dulal Sreemany	100
5 M/s. Rajindera Co.	960
6 M/s. Matadin Bhagwandas	200
7 M/s. Sugar Agents Ltd.	1,885
8 M/s. Produce Exchange Corporation	150
9 M/s. Parumal Perumal	5,225
10 M/s. A. H. Bhiwindhiwale	639
11 M/s. Shyamsunder Jawala Prasad	860
12 M/s. Suraj Narain Gopichand	100
13 M/s. Hind Sugar and Co.	4,203
V. Others.—	
1 M/s. Parameswaran Narasimhaipal	200
TOTAL	19,545 Bags or 1,974 tons.



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THE ALLEGATION THAT IN JULY-AUGUST, 1949 CONSIDERABLE MOVEMENT OF SUGAR BY FACTORIES AND TRADE TOOK PLACE IN VARIOUS DIRECTIONS TO FACILITATE THE SALE AT EXORBITANT PRICES OF SUGAR PURCHASED AT HIGH PREMIA.

The Committee collected information regarding movement of sugar in various directions during July and August, 1949 from—

- (a) factories ;
- (b) Indian Sugar Syndicate ;
- (c) Central Excise Department ;
- (d) Railways ; and
- (e) Sugar merchants.

From the information supplied by the Indian Sugar Syndicate it appears that 99,314 tons of sugar were despatched in July, 1949 and 1,21,423 tons in August, 1949 by the U. P. and Bihar factories. The details of weekly despatches during July and August, 1949 as supplied by the Indian Sugar Syndicate are given in table No. 5. The Central Excise Department supplied detailed factory-wise removals of sugar in July and August, 1949 which are given in Appendix No. 52. A summary table showing province-wise despatches from factories is given in Table No. 6 along with the summary prepared from the factory-wise figures supplied by Railways (*vide* Appendix No. 53). It will appear from this table No. 6 that 92,459 tons of sugar were despatched in July, 1949 by all the factories in India, out of which 83,301 tons were despatched by U. P. and Bihar factories. Again in August, 1949 1,04,897 tons were despatched by all the factories out of which 96,793 tons were despatched by U. P. and Bihar factories. The figures for Bihar and U. P. factories cover about 90 per cent of the total despatch in July and August, 1949.

Similar information was also compiled from data of wagons supplied by Railways which were loaded by the different sugar factories in India on different railways, the factory-wise figures are given in Appendix No. 53. A summary of province-wise despatches by different factories is given in table No. 6 referred to above. It will appear from this table that 67,857 tons of sugar were despatched by the factories in July and 73,152 tons in August, 1949. These figures however do not include the figures of despatches made by West Bengal, Madhya Bharat and Rajasthan factories as they were not available. It will be further noticed that U. P. and Bihar factories despatched 62,161 tons in July, 1949 and 67,012 tons in August, 1949. These figures are less than the figures supplied by the Central Excise Department by about 30 per cent. It may here be pointed out that the excise figures include all despatches made by rail or road while the Railway figures show only despatched made by rail.

The Committee has also collected information regarding despatch of sugar during the two months of July and August, 1949 from the replies to the questionnaires received from 128 factories. Detailed factory-wise statement in this respect is given in Appendix No. 54. Summary of province-wise despatches prepared from it is given in table No. 7. It appears from this table that 1,05,876 tons of sugar were despatched by these factories in July, 1949 and 1,14,433 tons in August, 1949. Out of this 91,903 tons were despatched by U. P. and Bihar factories in July, 1949 and 1,00,435 tons in August, 1949. The replies to the questionnaires show the towns to which different sugar factories sent their sugar during July and August, 1949. A list showing the towns in each Province to which sugar was despatched by different factories:

is given in Appendix No. 55. The following statement gives the number of towns situated in different Provinces to which the factories despatched their sugar :—

Province	No. of towns
U. P.	135
Bihar	101
Bombay	110
Bengal	64
Madras	126
Assam	6
Punjab	86
C. P. & Berar	47
Orissa	14
PEFSU	4
Madhya Pradesh	14
Hyderabad	10
Mysore	7
Delhi	2
Ajmer-Merwara	4
Saurashtra	3
Himachal Pradesh	1
Rajasthan	19

It will appear from this statement that sugar was sent by factories in almost all directions.

The Committee has collected information regarding the despatch of sugar by different sugar merchants in the major sugar markets in India during July and August, 1949 from 272 replies to the questionnaires sent by them. The detailed information is given in appendix No. 57 which shows the quantity sent to each town by merchants of each market. A summary of the despatches made by different merchants grouped according to their market towns is given in Appendix No. 56. It shows the merchants' groups who sent sugar and the States with the towns therein to which sugar was sent. Table No. 8 shows the number of towns in each Province to which each group despatched sugar.

The following statement gives names of the markets by whose merchants sugar was despatched and the quantities despatched :—

Markets	July	August	Total
	(Tons)	(Tons)	(Tons)
Amritsar	201	61	262
Kanpur	28,453	8,401	36,854
Calcutta	2,830	4,145	6,975
Madras	9	17	26
Bombay	624	1,128	1,752
Others	2,311	2,287	4,598
Total	34,428	16,039	50,467

It will also appear from the statement that in July, 1949, 34,428 tons were despatched by all the merchants from different markets and in August 16,039 i.e. 50,467 tons in both the months.

It will be noticed from the list of States and towns that sugar was despatched by merchants to almost all the States in all directions.

The following comparative statement will show despatches from factories during July and August in the years 1947, 1948, 1949 :—

States in which factories are situated	*1947			†1948			†1949		
	July	August	Total	July	August	Total	July	August	Total
		(000 tons)			(000 tons)			(000 tons)	
U. P.	45.4	32.6	78.0	43.0	71.7	113.7	66.4	66.4	132.8
Bihar	15.3	12.9	28.2	17.7	19.2	36.9	16.9	30.4	47.3
Total for U. P. and Bihar	60.7	45.5	106.2	59.7	90.9	150.6	83.3	96.8	180.1
Other States	11.7	11.2	22.9	16.0	15.4	31.4	9.2	8.1	17.3
GRAND TOTAL	72.4	56.7	129.1	75.7	106.3	182.3	92.5	104.9	197.4

Source :—*Indian Sugar Manual 1948.
†Excise.

It will be seen from this statement that in U. P. in the month of July 1949 despatches were considerably more than those in the previous two years 1947 and 1948. In July 1949 66,400 tons were despatched while in July, 1948 only 42,000 and in July 1947 only 45,400 tons were despatched. In Bihar there was no appreciable difference in the despatches in this month in 1949 and the two previous years. In other Provinces the despatches in July, 1949 were less than those in the previous two years in the same month. In August, 1949 the despatches from Bihar were considerably higher than those in 1947 and 1948. In U. P. the despatches were more than those in 1947 but less than in 1948. In August, 1949 in U. P. 66,400 tons were despatched as against 32,600 in 1947 and 71,700 tons in 1948, and in Bihar 30,400 as against 12,900 in 1947 and 19,200 in 1948.

In August, 1949 despatches from other Provinces were 8,100 tons as compared to 11,200 in 1947 and 15,400 in 1948. In July and August, 1949 the total despatches were higher than those in the previous two years. In 1949 they were, 197,400 tons as against 1,29,100 in 1947 and 1,82,000 tons in 1948. Full data of despatches by trade are not available. The despatches made in 1948-49 by only those merchants (272) who have sent replies to questionnaire have been shown above.

Sale at exorbitant prices of sugar purchased at high premium by different factories.—The Committee enquired from the sugar merchants the price paid by them to the factories and price charged by them from the consumers during July and August, 1949. A statement (*vide* appendix No. 58) was prepared from the replies received from the sugar merchants in which the minimum and maximum prices weekly paid and charged by each merchant have been given. From that statement Appendix No. 59 has been prepared which shows the weekly minimum and maximum purchase and sale prices in each of the major markets. The following table shows the fortnightly minimum and maximum purchase and sale prices which prevailed in each market :

Period	Purchase Price		Sale Price	
	Minimum	Maximum	Minimum	Maximum
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
AMRITSAR				
<i>July—</i>				
1st fortnight . . .	28 9 10	31 8 0	29 12 0	37 14 0
2nd fortnight . . .	29 9 6	31 0 0	29 12 4	36 0 0
<i>August—</i>				
1st fortnight . . .	29 7 3	36 12 0	31 12 0	38 8 0
2nd fortnight . . .	29 12 6	37 10 9	33 0 0	41 12 7
KANPUR				
<i>July—</i>				
1st fortnight . . .	27 0 0	33 4 0	28 0 0	35 5 0
2nd fortnight . . .	27 4 6	35 0 0	28 0 0	35 12 6
<i>August</i>				
1st fortnight . . .	28 0 0	37 12 0	28 12 0	39 0 0
2nd fortnight . . .	28 8 0	37 9 0	29 3 0	37 8 0

Period	Purchase Price		Sale Price	
	Minimum	Maximum	Minimum	Maximum
CALCUTTA				
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
<i>July—</i>				
1st fortnight . . .	27 8 0	36 12 0	23 3 6	38 8 0
2nd fortnight . . .	28 8 0	38 2 0	22 0 0	41 4 0
<i>August—</i>				
1st fortnight . . .	22 0 0	40 0 0	22 0 0	41 0 0
2nd fortnight . . .	27 11 0	39 4 0	20 0 0	40 8 0
MADRAS				
<i>July—</i>				
1st fortnight . . .	..	..	33 7 3	33 10 2
2nd fortnight . . .	..	..	33 13 1	38 14 6
<i>August—</i>				
1st fortnight . . .	30 0 0	30 0 0	34 8 8	42 14 6
2nd fortnight . . .	30 0 0	30 0 0	38 14 6	42 14 6
BOMBAY				
<i>July—</i>				
1st fortnight . . .	29 0 0	37 15 8	30 6 0	38 8 0
2nd fortnight . . .	28 14 0	40 11 8	30 2 3	41 1 4
<i>August—</i>				
1st fortnight . . .	29 0 0	41 3 0	30 2 3	41 1 4
2nd fortnight . . .	29 0 0	40 14 8	31 2 3	40 11 8

It will be noticed from this table that in the Amritsar market the purchase price ranged between Rs. 28/9/10 and Rs. 31/8/- and the sale price between Rs. 29/12/- and Rs. 37/14/- during the 1st fortnight of July. During the second fortnight of July the purchase price varied from Rs. 29/9/6 to Rs. 31 and the sale price varied from Rs. 29/12/4 to Rs. 36. During the first fortnight of August there was rise in the price of sugar. The purchase price ranged from Rs. 29/7/8 to Rs. 36/12/- and the sale price from Rs. 31/12/- to Rs. 38/8/-. During the 2nd fortnight of August there was further rise. The purchase price ranged between Rs. 29/12/6 and Rs. 37/10/9, and the sale price between Rs. 33 and Rs. 41/12/7.

In the Kanpur market during the first fortnight of July, 1949 the purchase price varied from Rs. 27 to Rs. 33/4/- and the sale price from Rs. 28 to Rs. 35/5. During the second fortnight of July the purchase price varied from Rs. 27/4/6 to Rs. 35 and the sale price from Rs. 28 to Rs. 35/12/6. During the first fortnight of August, 1949 the prices increased. The purchase price varied from Rs. 28 to Rs. 37/12 and the sale price from Rs. 28/12/- to Rs. 39. During the second fortnight of August the purchase price varied from Rs. 28/8/- to Rs. 37/9/10 and the sale price from Rs. 29/3/- to Rs. 37/8/.

In the Calcutta market during the first fortnight of July the purchase price varied from Rs. 27/8/- to Rs. 36/12/- and the sale price from Rs. 23/3/6 to Rs. 38/8/-. During the second fortnight of July the purchase price varied from Rs. 28/8/- to Rs. 38/2/- and the sale price from Rs. 22 to Rs. 41/4/-. During the first fortnight of August, 1949 the purchase price varied from Rs. 22 to Rs. 40 and the sale price from Rs. 22 to 41. During the second fortnight of August the purchase price ranged between Rs. 27/11/- and Rs. 39/4/- and the sale price between Rs. 20 and Rs. 40/8/.

Madras Market

Information as regards the purchases price for the month of July 1949 in the Madras market was not available. During the first fortnight in July the sale price ranged from Rs. 33/7/3 to Rs. 33/10/2, and during the second fortnight from Rs. 33/13/1 to Rs. 38/14/6. During August, 1949 the purchase price was Rs. 30 but the sale price ranged from Rs. 34/8/8 to Rs. 42/14/6 during the first fortnight and Rs. 38/14/6 to Rs. 42/14/6 during the second fortnight

Bombay Market

In the Bombay market during the first fortnight of July the purchase price varied from Rs. 29 to Rs. 37/15/8 and the sale price from Rs. 30/6/- to Rs. 38/8/8 and during the second fortnight the purchase price varied from Rs. 28/14/- to Rs. 40/11/8 and the sale price from Rs. 30/2/3 to Rs. 41/1/4. During the first fortnight of August the purchase price varied from Rs. 29 to Rs. 41/3 and the sale price from Rs. 30/2/3 to Rs. 41/1/4 and during the second fortnight the purchase price varied from Rs. 29 to Rs. 40/14/8 and the sale price from Rs. 31/2/3 to Rs. 40/11/8.

From these figures it is clear that comparatively there was a large movement of sugar from Bihar and U. P. factories in the crucial months of July and August, 1949. This cannot be unrelated to the high prices prevailing in the different markets. There can also be no doubt that as a result interested parties must have derived additional gain.

TABLE NO. V

Statement showing sold and despatched sugar for the months of July and August 1949

		(Figures in Tons)					
		U. P. AND BIHAR FACTORIES					
		1948-49 Sugar					
Weekly Despatches		Tons.					
July 1st week	34,742
2nd week	23,320
3rd week	17,619
4th week	19,992
Total							95,673
Add. 1947-48	2,855
Add. 1946-47	786
Total							99,314
August 1st week	24,474
2nd week	27,260
3rd week	36,670
4th week	30,983
Total							1,19,387
(Addl. 1947-48 Sugar)	2,036
Total							1,21,423

Source : Indian Sugar Syndicate.

TABLE NO. VI
Despatches of sugar during July & August, 1949
Summary

DISTRICT	As intimated by the Central Excise Department			As intimated by the Railway Department			Remarks
	Province-wise factories		Total	July	August	Total	
	July	August					
	(in tons)	(in tons)		(in tons)	(in tons)		
1. Bihar Factories	16,880	30,365	47,245	14,690	25,850	40,540	
2. U. P. Factories	66,421	66,423	1,32,849	47,471	41,162	88,633	
3. Madras Factories.	8,469	3,169	6,638	3,760	2,420	6,180	
4. Bombay Factories	4,277	3,761	8,038	1,740	3,340	5,080	
5. West Bengal Factories	270	220	490	Not available			
6. Orissa Factories	250	104	354	..	160	160	
7. East Punjab Factories	63	3	77	6	..	6	
8. Ajmer Factory	13	5	18	..	..	..
9. Madhya Bharat Factories	110	28	138	Not available.			
10. Rajasthan Factories	496	598	1,094	Ditto.			
11. P. E. P. S. U. Factories	204	211	415	190	220	410	
Total	92,459	1,04,897	{ 1,97,356	67,857	73,152	1,41,009	

TABLE NO. VII

Despatch of sugar during July-August, 1949

Source : Factories replies to Questionnaire

Factories	Number of factories	July (Tons)	August (Tons)	Total (Tons)
U. P.	56	66,105	61,796	1,27,901
Bihar	25	25,798	38,639	64,437
Bombay	9	2,633	2,992	5,625
Madras	10	3,976	3,653	7,634
West Bengal	1	616	953	1,569
Punjab	1	1,037	856	1,893
Orissa	1	471	743	1,214
Madhya Bharat	3	71	64	135
Rajasthan	2	2,566	1,442	4,007
PEPSU	2	917	206	1,123
Hyderabad	1	1,329	2,586	4,115
Bhopal	1	357	198	555
Total	112	1,05,876	1,14,433	2,20,309

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TABLE No. VIII

Number of towns to which sugar was despatched by merchants during July-August 1949

Provinces	Amritsar	Madras	Bombay	Calcutta	Kanpur	Other Markets	Total
Assam	13	6	..	
Bengal	27	17	..	
Bombay	9	13	46	16	
Bihar	2	
Madhya Bharat	2	26	25	
Coorg	
Delhi	1	1	
Madras	..	4	4	7	19	1	
Orissa	6	3	2	
Punjab	6	..	..	..	2	21	
U.P.	1	62	10	
Saurashtra	
Rajasthan	1	5	2	
Madhya Bharat	2	
Travancore & Cochin	1	2	..	1	
P. E. P. S. U.	1	..	5	
Kutch	2	..	..	..
Mysore	1	..	
Hyderabad	6	1	
Bharatpur	1	..	
Kashmir	1	..	..	..	..	..
Foreign Territory	..	1	..	..	..	..
East Bengal	1	..	..
Others	4	28	..	16	
Total	7	5	20	102	203	106	

CHAPTER VII

ANY OTHER MATTER WHICH MAY BE GERMANE TO OR INCIDENTAL TO ANY ONE OR MORE OF THE AFORESTATED MATTERS OR TO ANY FINDING OF THE TARIFF BOARD ON THE SUGAR CRISIS.

In term of Reference (7) the Committee has been asked to enquire into matters which may be germane or incidental to any one or more of the previous six items of the Terms of Reference or to any finding of the Tariff Board on the Sugar Crisis. In so far as germane or incidental matters are concerned these have been already dealt with in respect of each item and there is nothing requiring any separate mention. A word may, however, be said about the bearing of the findings of the Committee on the Sugar Crisis.

From the earlier pages it will be seen that the Indian Sugar Syndicate succeeded in obtaining an abnormal supply of wagons and thereby moving abnormal quantities of sugar, that substantial clandestine exports of sugar were made to Pakistan, that comparatively high premia were charged by many factories over the fixed price (this was not an offence but contrary to public interests or general understanding) that a proposal to export sugar to Pakistan was made by interested parties at a time when substantial releases and heavy despatches of sugar had already relieved the factories of stocks, that this proposal created a scare and an artificial scarcity the result of which was undoubtedly a rise in prices and that heavy movements of sugar took place from Bihar and U. P. at a time when high prices prevailed in outside markets.

There can be no doubt that facilities for making money to the detriment of public interest would not have been there if greater circumspection and caution had been shown in dealing with the alleged complaints of the Syndicate about inadequacy of transport or if the position of transport had been kept under review intelligently and with a clear idea of the objective. As it is, heavy drains of stock continued without any let or hindrance from authorities which could have intervened to regulate matters effectively. The general indifference to a deteriorating position can be well gauged from the fact that the question of export of sugar to Pakistan was seriously considered at high level at a time when the stocks with factories were definitely much below the normal level and the position of a projected carry-over at the end of the year was jeopardised.

As regards the vested interests, the only thing that can be said is that under no legal obligation to refrain from utilising opportunities for making money. Morally, of course, the position is that one should not do so when a Policeman is at the elbow cannot even for a moment be sought on opportunity and they got it to the detriment of the public that prices would rise went unheeded. The authorities and obliging authorities until the events were beyond recall.

As special word must, however, be said to the Indian Sugar Syndicate. Its responsibility for what took place is clear. It misled the Government into providing excessive quantities of sugar. Other prejudicial activities also took place. Active intervention or intimation to Government authorities of what was taking place it could have sought. The history of the sugar industry given in the Introduction.

seen that the Syndicate was the only Statutory Corporate authority which could regulate matters. There is no doubt that it failed to do so to the serious detriment of public interests.

The report is thus in the nature of an epilogue to the Tariff Board's judgment. The Committee hopes that both will be a warning and a lesson to all concerned.

GANGA NATH,

Sole Member.

Date 30th December, 1950.

